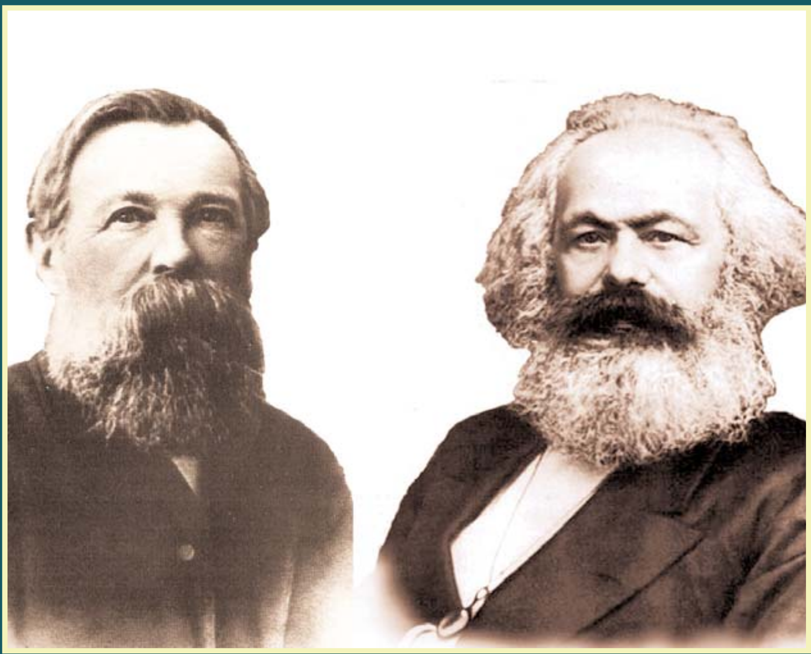
MARX & ENGELS
COLLECTED WORKS



VOLUME 31

Marx 1861-63

KARL MARX
FREDERICK ENGELS

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Marx 1861-63

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Preface

Volume 31 of the *Collected Works* of Marx and Engels contains the continuation of Marx's economic manuscript of 1861-1863, its central part—"Theories of Surplus Value" (Notebooks VII-XII, pp. 299-636 of the manuscript), the beginning of the manuscript being published in Vol. 30 of the present edition.

Marx proceeded here with his historico-critical analysis of the views held by bourgeois political economists—Smith, Ricardo, Rodbertus and others.

The whole manuscript is printed here in accordance with its new publication in the languages of the original in *Marx-Engels Gesamtausgabe* (*MEGA*), Zweite Abteilung, Bd. 3, (Teile 1-6), Berlin, 1976-82.

Obvious slips of the pen in Marx's text have been corrected by the editors without comment. The proper and geographical names and other words abbreviated by the author are given in full. Defects in the manuscript are indicated in footnotes, places where the text is damaged or illegible are marked by dots. Where possible, editorial reconstructions are given in square brackets.

Foreign words and phrases are given as used by Marx, with the translation supplied in footnotes where necessary. English phrases, expressions and individual words occurring in the original are set in small caps. Longer passages and quotations in English are given in asterisks. Some of the words are now somewhat archaic or have undergone changes in usage. For example, the term "nigger", which has acquired generally—and especially in the USA—a more profane and unacceptable status than it had in Europe during the 19th century. The passages from English economists quoted by Marx in French are given according to the English editions used by the author. In all cases the form of quoting used by Marx is respected. The language in which Marx quotes is indicated unless it is German.

The text of and notes to Volume 31 were prepared by Lyubov Zalunina with the assistance of Yelena Vashchenko. The volume was edited by Vitaly Vygodsky (Institute of Marxism-Leninism of the CC CPSU). The name index, the index of quoted and mentioned literature and the index of periodicals were compiled by Vardan Azatian (Institute of Marxism-Leninism of the CC CPSU).

The translations included in Volume 31 are based on the three-volume edition of Marx's *Theories of Surplus Value*, published by Progress Publishers, Moscow. They were made by Emile Burns, Renate Simpson and Jack Cohen and edited by Salo Ryazanskaya. These translations have been editorially checked with new MEGA edition by Margarita Lopukhina and Natalia Karmanova. The volume was prepared for the press by Svetlana Gerasimenko, Yelena Krishtof, Margarita Lopukhina, Alla Varavitskaya and Anna Vladimirova (Progress Publishers).

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KARL MARX

ECONOMIC WORKS

1861-1863

ECONOMIC MANUSCRIPT OF 1861-63

(Continuation)

A CONTRIBUTION TO THE CRITIQUE OF POLITICAL ECONOMY

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[THE DISTINCTION BETWEEN PRODUCTIVE AND UNPRODUCTIVE LABOUR][4]

[VII-299] We come now to the last controversial point in Adam Smith's writings which we have to consider: the [VII-300] *distinction between productive and unproductive labour.*

//In addition to the foregoing.[5] The following quotation shows how little the insipid Say even understood what the question was:

"In order fully to understand this subject of revenues, it is necessary to take into account that the entire value of a product is divided into revenues for various persons; for the *total* value of each product is composed of the profits of the landowners, of the capitalists and of the craftsmen who have contributed to bring it into existence. This is why the revenue of society is equal to the *gross value* which has been produced, and not, as the sect of Economists[6] imagines, to the *net product* of the land.... If the only revenues in a nation were the excess of the values produced over the values consumed, this would lead to a truly absurd result: that a nation which had consumed in the year values as great as it had produced would have no revenue" (l.c., Vol. II, pp. 63, 64).[a]

In fact, in the year that was past it would have had a revenue, but it would have none the next year. It is not true that the *annual product of labour,* of which the *product of the annual labour* forms only one part, consists of revenue. On the other hand, it is correct that this is the case with the part of the product which each year enters into individual consumption. The revenue, which consists only of added labour, is able to pay for this product, which consists partly of added and partly of pre-existing labour; that is to say, the labour added in these products can pay not only for itself but also for the pre-existing labour, because another part of the product—which also consists of labour added and pre-existing labour—replaces only pre-existing labour, only constant capital.//

//To the points in Adam Smith's theory just discussed must be added that in his vacillations on the determination of value—

[a] J. B. Say, *Traité d'économie politique...*, 3rd ed., Paris, 1817. Marx quotes in French.—*Ed.*

besides the apparent contradiction in regard to wages[7]—there is another confusion: in so far as he confuses the measure of value as the immanent measure which at the same time forms the substance of value, with the measure of value in the sense that money is called a measure of value. With regard to the latter the attempt is then made to square the circle—to find a commodity whose value does not change to serve as a constant measure for others. On the question of the relation of the measure of value as money to the determination of value by labour time, see the first part of my work.[a] This confusion is also to be found in Ricardo in certain passages.//[8]

In Adam Smith's definition of what he calls *productive labour* as distinguished from *unproductive labour*, we find the same two-sided approach as we have found on every question up to now. Jumbled together in his presentation we find two definitions of what he calls productive labour, and to begin with we will examine the first, the correct definition.

Productive labour, in the meaning of capitalist production, is wage labour which, exchanged against the variable part of capital (the part of the capital that is spent on wages), reproduces not only this part of the capital (or the value of its own labour capacity), but in addition produces surplus value for the capitalist. It is only thereby that commodity or money is transformed into capital, is produced as capital. Only that wage labour is productive which produces capital. (This is the same as saying that it reproduces on an enlarged scale the sum of value expended on it, or that it gives in return more labour than it receives in the form of wages. Consequently, only that labour capacity is productive which produces a value greater than its own.)

The MERE EXISTENCE of a class of capitalists, and therefore of capital, depends on the productivity of labour: not however on its absolute, but on its relative productivity. For example: if a day's labour only sufficed to keep the worker alive, that is, to reproduce his labour capacity, [VII-301] then, speaking in an absolute sense, his labour would be productive because it would be reproductive, that is to say, because it constantly replaced the values (equal to the value of its own labour capacity) which it consumed. But in the capitalist sense it would not be productive because it produced no surplus value. (It produced in fact no new value, but only replaced

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[a] K. Marx, *A Contribution to the Critique of Political Economy*. Part One (see present edition, Vol. 29, pp. 303-14).—*Ed.*

the old; it would have consumed it—the value—in one form, in order to reproduce it in the other. And in this sense it has been said that a worker is productive whose production=his own consumption, and that a worker is unproductive who consumes more than he reproduces.) This productivity is based on relative productivity—that the worker not only replaces an old value, but creates a new one; that he objectifies more labour time in his product than is objectified in the product that keeps him in existence as a worker. It is this kind of productive wage labour that is the basis for the existence of capital. //Assuming, however, that no capital exists, but that the worker appropriates his surplus labour himself—the excess of values that he has created over the values that he consumes. Then one could say only of this labour that it is truly productive, that is, that it creates new values.//

This conception of productive labour follows naturally from Adam Smith's view of the origin of surplus value, that is, of the nature of capital. In so far as he holds to this conception he is following a course that was taken by the Physiocrats and even by the Mercantilists; he only frees it from misconceptions, and in this way brings out its inner kernel. Though wrong in thinking that only agricultural labour is productive, the Physiocrats put forward the correct view that from the capitalist standpoint only that labour is productive which creates a surplus value, and in fact a surplus value not for itself, but for the owner of the conditions of production; labour which produces a net product not for itself, but for the landowner. For the SURPLUS VALUE or surplus labour time is objectified in a SURPLUS PRODUCE or net product. (But here again they have a wrong conception of this; inasmuch as there is, for example, more wheat than workers and farmers eat; but also in the case of cloth there is more than what the cloth manufacturers—workman and MASTER—need for their own clothing.) SURPLUS VALUE itself is wrongly conceived, because they have a wrong idea of VALUE and reduce it to the use value of labour, not to labour time, social, homogeneous labour. Nevertheless, there remains the correct definition that only the wage labour which creates more value than it costs is productive.[9] Adam Smith frees this definition from the wrong conception with which the Physiocrats linked it.

If we go back from the Physiocrats to the Mercantilists, there too we find one aspect of their theory which contains the same view of productive labour, even though they were not conscious of it. The basis of their theory was the idea that labour is only productive in those branches of production whose products, when sent abroad, bring back more money than they have cost (or than had to be exported in exchange for them); which therefore enabled a country to participate to a greater degree in the products of newly opened gold and silver mines.[10] They saw that in these countries there was a rapid growth of wealth and of the middle class. What in fact was the source of this influence exerted by gold? Wages did not rise in proportion to the prices of commodities; that is, wages fell, and because of this relative surplus labour increased and the rate of profit rose—not because the worker had become more productive, but because the absolute wage (that is to say, the quantity of means of subsistence which the worker received) was forced down—in a word, because the position of the workers grew worse. In these countries, therefore, labour was in fact more productive for those who employed it. This FACT was linked with the INFLUX of the precious metals; and it was this, though they were only dimly aware of it, which led the Mercantilists to declare that labour employed in such branches of production was alone productive.

[VII-302] "THE REMARKABLE INCREASE [OF POPULATION] which has taken place in almost every European State, during the last fifty or sixty years, has perhaps proceeded chiefly from the INCREASED PRODUCTIVENESS of the AMERICAN MINES. An increased abundance of the PRECIOUS METALS" //OF COURSE as a result of the fall in their real value// "raises the price of commodities in a greater proportion than the price of labour; IT DEPRESSES THE CONDITION OF THE LABOURER, and at the same time INCREASES THE GAINS OF HIS EMPLOYER, who is thus induced to enlarge his CIRCULATING CAPITAL to hire HANDS and this favours the increase of population.... Malthus observes, that the DISCOVERY of the MINES of AMERICA, during the time that it raised the PRICE OF CORN between three and four times, did not nearly so much as double the price of labour.... The price of commodities intended for HOME CONSUMPTION (of corn for instance) does not immediately rise in consequence of an INFLUX of MONEY; but as the RATE OF PROFIT in agricultural employments is thus depressed below the rate of profit in manufactures, CAPITAL will gradually be withdrawn from the former to the latter: THUS ALL CAPITAL COMES TO YIELD HIGHER PROFITS THAN FORMERLY, AND A RISE OF PROFITS IS ALWAYS equivalent to A FALL OF WAGES" (John Barton, *Observations on the Circumstances which Influence the Condition of the Labouring Classes of Society*, London, 1817, pp. 29 sqq.).

So, firstly, according to Barton, in the second half of the eighteenth century there was a repetition of the same phenomenon as that which, from the last third of the sixteenth century and in the seventeenth, has given the impulse to the Mercantile system. Secondly, as only exported goods were measured in gold and silver on the basis of its reduced value, while those for HOME CONSUMPTION continued to be measured in gold and silver according to its former value (until competition among the capitalists put an end to this measuring by two different standards), labour in the former branches of production appeared to be directly productive, that is, creating surplus value, through the depression of wages below their former level.

The second, wrong conception of productive labour which Smith develops is so interwoven with the correct one that the two follow each other in rapid succession in the same passage. To illustrate the first conception it is therefore necessary to tear the quotations into separate parts.

(B. II, Ch. III) (Vol. II, ed. McCulloch) (p. 93 sq.)[a]:

*"There is one sort of labour which adds to the value of the subject upon which it is bestowed; there is another which has no such effect. The former, as *it produces a value*, may be called *productive*, the latter, *unproductive labour*. Thus the labour of a manufacturer *adds*, generally, to the value of the materials which he works upon, *that of his own maintenance, and of his master's profit*. The labour of a menial servant, on the contrary, adds to the value of nothing. Though the manufacturer has his wages *advanced* to him by his master, *he in reality costs him no expense*, the value of those wages being generally restored, *together with a profit*, in the improved value of the subject upon which his labour is bestowed. But the maintenance of a menial servant never is restored. A man *grows rich* by employing a multitude of manufacturers: he grows poor by maintaining a multitude of menial servants."*

In this passage—and in its continuation to be quoted later, the contradictory definitions jostle each other even more closely—what is in the main and *éminemment*[b] understood by PRODUCTIVE LABOUR is labour which produces a surplus value—ITS "MASTER'S PROFIT"—in addition to the reproduction OF THE VALUE "OF HIS" (THE LABOURER'S) "OWN MAINTENANCE". Also, the MANUFACTURER could not GROW *RICH* "BY EMPLOYING A MULTITUDE OF MANUFACTURERS" (WORKING MEN), unless the latter, in addition to the VALUE which their own MAINTENANCE costs, added also a SURPLUS VALUE.

Secondly, however, in this passage Adam Smith treats as PRODUCTIVE LABOUR, labour which in general "PRODUCES A VALUE". Leaving this [VII-303] latter statement out of account for the moment we will first cite other passages in which the first conception is partly repeated, partly formulated more sharply, but particularly also further developed.

*"If the quantity of food and clothing which were ... consumed by unproductive, had been distributed among productive hands, they would have reproduced, *together with a profit*, the full value of their consumption"* (l.c., B. II, Ch. III, p. 109).

Here the PRODUCTIVE LABOURER is quite explicitly one who not only reproduces for the capitalist the FULL VALUE of the means of

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[a] A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*. By J. R. McCulloch. In four volumes, Vol. II, Edinburgh, London, 1828.—*Ed.*

[b] Pre-eminently.—*Ed.*

subsistence contained in his wages, but reproduces it for him "WITH A PROFIT".

Only labour which produces capital is productive labour. Commodities or money become capital, however, through being exchanged directly for labour capacity, and exchanged only in order to be replaced by more labour than they themselves contain. For the use value of labour capacity to the capitalist as a capitalist does not consist in its *actual* use value, in the usefulness of this particular concrete labour—that it is spinning labour, weaving labour, and so on. He is as little concerned with this as with the use value of the product of this labour as such, since for the capitalist the product is a commodity (even before its first metamorphosis), not an article of consumption. What interests him in the commodity is that it has more exchange value than he paid for it; and therefore the use value of the labour is, for him, that he gets back a greater quantity of labour time than he has paid out in the form of wages. Included among these productive workers, of course, are all those who contribute *d'une manière ou d'une autre*[a] to the production of the commodity, from the actual operative to the MANAGER OR ENGINEER (as distinct from the capitalist). And so even the latest English official report on the FACTORIES[11] "*explicitly*" includes in the category of employed wage workers all persons employed in the factories and in the offices attached to them, with the exception of the manufacturers themselves (see the wording of the REPORT before the concluding part of this rubbish). Productive labour is here defined from the standpoint of capitalist production, and Adam Smith here got to the very heart of the matter, hit the nail on the head. This is one of his greatest scientific merits (as Malthus rightly observed, this critical differentiation between productive and unproductive labour remains the basis of all bourgeois political economy[12]) that he defines productive labour as labour *which is directly exchanged with capital*; that is, he defines it by the exchange through which the conditions of production of labour, and value in general, whether money or commodity, are first transformed into capital (and labour into wage labour in its scientific meaning). This also establishes absolutely what *unproductive labour* is. It is labour which is not exchanged with capital, but *directly* with revenue, that is, with wages or profit (including of course the various categories of those who share as CO-PARTNERS in the capitalist's profit, such as interest and rent). Where all labour in part still pays itself (like e.g.

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[a] In one way or another.—*Ed.*

the agricultural labour of the peasants on *corvée*) and in part is directly exchanged for revenue (like the manufacturing labour in the cities of Asia), no capital and no wage labour exists in the sense of bourgeois political economy. These definitions are therefore not derived from the material characteristics of labour (neither from the nature of its product nor from the particular character of the labour as concrete labour), but from the definite social form, the social relations of production, within which the labour is realised. An actor, for example, or even a CLOWN, according to this definition, is a productive labourer if he works in the service of a capitalist (an ENTREPRENEUR) to whom he returns more labour than he receives from him in the form of wages; while a jobbing tailor who comes to the capitalist's house and patches his trousers for him, producing a mere use value for him, is an unproductive labourer. The former's labour is exchanged with capital, the latter's with revenue. The former's labour produces a surplus value; in the latter's revenue is consumed.

Productive and unproductive labour is here throughout conceived from the *standpoint* of the possessor of money, of the *capitalist*, not from that of the *workman*; hence the nonsense written by Ganilh, etc., who have so little understanding of the matter that they raise the question whether the labour or service or function of the prostitute, flunkey, etc., brings in money.

[VII-304] //*To p. 300.*[13] For example: in the manufacture of locomotives, every day the waste amounts to whole wagon-loads of iron filings. These are collected and resold (or charged in account) to the same iron manufacturer who supplied the locomotive manufacturer with his principal raw material. The iron manufacturer again gives them solid form, adding new labour to them. However in the form in which he sends them back to the locomotive manufacturer, these filings represent the part of the value of the product which replaces raw material. In this way not the same filings but constantly a certain quantity of filings, move hither and thither between the two factories. This part forms in turn the raw material for each of the two branches of industry and, considered as value, only wanders from one SHOP to the other. Consequently it does not enter into the final product, but is a replacement *in natura* of the constant capital. In fact, every machine supplied by the machinery manufacturer, from the standpoint of value, is divided into raw material, labour added, and the wear and tear of machinery. But the whole total that enters into the production of other spheres can only be=in value to the total value of the machinery minus the part of the constant capital which is continually passing backwards and forwards between the machinery manufacturer and the iron manufacturer. One quarter of wheat sold by a peasant is as dear as another, and a quarter of wheat that is sold is no cheaper than one that is returned to the land in the form of seed. STILL, if the product=6 qrs, and the qr=£3—each qr containing component parts of value for labour added, raw material and machinery—and if he has to use 1 qr as seeds, he would only sell to consumers 5 qrs=£15. They would therefore not pay for the part of the value contained in the 1 qr of seed. And this is the point: how can the value of the product sold be=to all the elements of value contained in it—labour added and constant capital—and how in spite of this does the consumer buy the product and yet not pay for the constant capital?//

A writer is a productive labourer not in so far as he produces ideas, but in so far as he enriches the publisher who publishes his works, or if he is a wage labourer for a capitalist.

The use value of the commodity in which the labour of a productive worker is embodied may be of the most futile kind. Its material determination has no connection at all with this quality it possesses of being so embodied; the latter is on the contrary only the expression of a definite social relation of production. It is a determination of labour which is derived not from its content or its result, but from its particular social form.

On the other hand, on the assumption that capital has conquered the whole of production—and that therefore a *commodity* (as distinct from a mere use value) is no longer produced by any labourer who is himself the owner of the conditions of production for producing this commodity—that therefore only the capitalist is the producer of *commodities* (the sole commodity excepted being labour capacity)—then revenue must be exchanged *aut* against commodities which capital alone produces and sells, *aut*[a] against labour, which just like those commodities is bought in order to be consumed; that is, only for the sake of its particular material determination, its use value—for the sake of the *services* which, through its particular material determination, it renders to its buyer and consumer. For the producer of these services the services rendered are commodities. They have a definite use value (imaginary or real) and a definite exchange value. For the buyer, however, these services are mere use values, objects in which [VII-305] he consumes his revenue.

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[a] Either ... or.—*Ed.*

These unproductive labourers do not receive their share of revenue (of wages and profits), their CO-PARTNERSHIP in the commodities produced by productive labour, gratis: they must buy their SHARE in them; but they have nothing to do with their production.

It is, however, in any case clear: the greater the part of the revenue (wages and profit) that is spent on commodities produced by capital, the less the part that can be spent on the services of unproductive labourers, and vice versa.

The material determination of labour, and therefore of its product, in itself has nothing to do with this distinction between productive and unproductive labour. For example, the cooks and WAITERS in a public hotel are productive labourers, in so far as their labour is transformed into capital for the proprietor of the hotel. These same persons are unproductive labourers as MENIAL SERVANTS, inasmuch as I do not make capital out of their services, but spend revenue on them. In fact, however, these same persons are also for me, the consumer, unproductive labourers in the hotel.

*"That part of the annual produce of the land and labour of *any country which replaces a capital*, never is *immediately* employed to maintain any but productive hands. It *pays the wages of productive labour* only. That which is *immediately* destined for constituting a revenue, either as profit or as rent, may maintain indifferently either productive or unproductive hands"* (l.c., p. 98). *"Whatever part of his stock a man employs as a capital, he always expects it to be replaced to him with a profit. He employs it, therefore, in maintaining *productive hands* only; and after having served in the function of [a] capital to him, it constitutes a revenue to them. Whenever he employs any part of it *in maintaining unproductive hands* of any kind, that part is from that moment withdrawn from his capital, and placed in his stock reserved for immediate consumption"* (l.c.).

To the extent that capital conquers the whole of production, and therefore the home and petty form of industry—in short, industry intended for self-consumption, not producing commodities—disappears, it is clear that the unproductive labourers, those whose services are directly exchanged against revenue, will for the most part be performing only *personal* services, and only an inconsiderable part of them (like cooks, seamstresses, jobbing tailors and so on) will produce material use values. That they produce no *commodities* follows from the nature of the case. For the commodity as such is never an immediate object of consumption, but a bearer of exchange value. Consequently only a quite insignificant part of these unproductive labourers can play a direct part in material production once the capitalist mode of production has developed. They participate in it only through the exchange of their services against revenue. This does not prevent, as Adam Smith remarks, the value of the services of these unproductive labourers being determined and determinable in the same (or an analogous) way as that of the productive labourers: that is, by the production costs involved in maintaining or producing them. Other factors also come into play in this connection, but they are not relevant here.

[VII-306] The labour capacity of the productive labourer is a commodity for the labourer himself. So is that of the unproductive labourer. But the productive labourer produces commodities for the buyer of his labour capacity. The unproductive labourer produces for him a mere use value, not a commodity; an imaginary or a real use value. It is characteristic of the unproductive labourer that he produces no commodities for his buyer, but indeed receives commodities from him.

"The labour of some of the most respectable orders in the society is, like that of menial servants, unproductive of any value.... The sovereign, for example, with all the officers both of justice and war who serve under him, the whole army and navy, are unproductive labourers. They are the servants of the public, and are maintained by a part of the annual produce of the industry of other people.... In the same class must be ranked ... churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, etc." (l.c., pp. 94-95).

In itself, as has been said, this distinction between productive and unproductive labour has nothing to do either with the particular speciality of the labour or with the particular use value in which this special labour is incorporated. In the one case the labour is exchanged with capital, in the other with revenue. In the one case the labour is transformed into capital, and creates a profit for the capitalist; in the other case it is an expenditure, one of the articles in which revenue is consumed. For example, the workman employed by a piano maker is a productive labourer. His labour not only replaces the wages that he consumes, but in the product, the piano, the commodity which the piano maker sells, there is a surplus value over and above the value of the wages. But assume on the contrary that I buy all the materials required for a piano (or for all it matters the labourer himself may possess them), and that instead of buying the piano in a shop I have it made for me in my house. The workman who makes the piano is now an unproductive labourer, because his labour is exchanged directly against my revenue.

It is however clear that in the same measure as capital subjugates to itself the whole of production—that is to say, that all commodities are produced for the market and not for immediate consumption, and the productivity of labour rises in this same measure—there will also develop more and more a material difference between productive and unproductive labourers, inasmuch as the former, apart from minor exceptions, will exclusively produce *commodities*, while the latter, with minor exceptions, will perform only personal services. Hence the former class will produce immediate, material wealth consisting of *commodities*, all commodities except those which consist of labour capacity itself. This is one of the aspects which lead Adam Smith to put forward other points of difference, in addition to the first and in principle determining *differentia specifica*.

Thus, following through various associations of ideas, he says:

"The labour of a menial servant" (as distinct from that of a MANUFACTURER) *"*adds to the value of nothing* ... the maintenance of a menial servant *never is restored*. A man grows rich by employing a multitude of manufacturers: he grows poor by maintaining a multitude of menial servants. The *labour of the latter*, however, *has its value*, and deserves its reward as well as that of the former. But the labour of the manufacturer *fixes and realises itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past*. It is, as it were, a certain quantity of labour stocked and stored up, to be employed, if necessary, upon some other occasion. That subject, or what is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to that which had originally produced it. The labour of the menial [VII-307] servant, on the contrary, does not *fix or realise itself in any particular subject or vendible commodity*. His *services generally perish in the very instant of their performance*, and *seldom leave any trace or value behind them*, for which an equal quantity of service could *afterwards* be procured.... The labour of some of the most respectable orders in the society is, like that of menial servants, *unproductive of value*, and *does not fix or realise itself in any permanent subject*, or *vendible commodity*"* (l.c., pp. 93-94 *passim*).

To define the unproductive labourer we here have the following determinants, which at the same time reveal the links in Adam Smith's train of thought:

"It" (the LABOUR of the UNPRODUCTIVE LABOURER) *"is unproductive of value", "adds to the value of nothing", "the maintenance" (of the unproductive labourer) "never is restored", "[it] does not *fix* or *realise itself in any particular subject or vendible commodity*".* On the contrary, *"his services generally perish in the very instant of their performance, and seldom leave any trace or value behind them, for which an equal quantity of service could *afterwards* be procured".* Finally, *"it does not fix or realise itself in *any permanent subject*, or *vendible commodity*".*

Here "PRODUCTIVE OF VALUE" or "UNPRODUCTIVE OF VALUE" is used in a different sense from that in which these terms were used originally. The reference is no longer to the production of a surplus value, which in itself implies the reproduction of an equivalent for the value consumed. But according to this presentation the labour of a labourer is called productive in so far as he replaces the consumed value by an equivalent, by adding to any material, through his labour, a quantity of value equal to that which was contained in his wages. Here the definition of form, the determination of productive and unproductive labourers by their relation to capitalist production, is abandoned. From Chapter IX of Book IV (where Adam Smith criticises the doctrine of the Physiocrats), it can be seen that he came to make this aberration as a result partly of his opposition to the Physiocrats and partly under their influence. If a labourer merely replaces each year the equivalent of his wages, then for the capitalist he is not a productive labourer. He does indeed replace his wages, the purchase price of his labour. But the transaction is absolutely the same as if this capitalist had bought the commodity which this labour produces. He pays for the labour contained in his constant capital and in the wages. He possesses the same quantity of labour in the form of the commodity as he had before in the form of money. His money is not thereby transformed into capital. In this case it is the same as if the labourer himself owned his conditions of production. He must each year deduct the value of the conditions of production from the value of his annual product, in order to replace them. What he consumed or could consume annually would be the portion of the value of his product equal to the new labour added to his constant capital during the year. In this case, therefore, it would not be capitalist production.

The first reason why Adam Smith calls this kind of labour "productive" is that the Physiocrats call it "sterile" and "non-productive".

Thus Adam Smith tells us in the chapter referred to:

> "First, this class" (namely the industrial classes, who do not carry on agriculture), "it is acknowledged" [by the Physiocrats], "*reproduces annually* the *value* of its own annual consumption, and continues, at least, the existence of the stock or capital which *maintains and* employs it... Farmers and country labourers, indeed, over and above the stock which maintains and employs them, reproduce annually a *neat produce*, a free rent to the landlord ... the labour of farmers and country labourers is certainly more productive than that of merchants, artificers, and manufacturers. The superior produce of the one class, however, does not render the other *barren* or *unproductive*" ([Garnier,] l.c., t. III, p. 530) [Vol. III, p. 140].[14]

Here, therefore, Adam Smith falls back into the Physiocratic [VII-308] standpoint. The real "productive labour", which produces a surplus value and therefore a "neat produce", is agricultural labour. He abandons his own view of surplus value and accepts that of the Physiocrats. At the same time he asserts, as against the Physiocrats, that manufacturing (and according to him, also commercial) labour is nevertheless also productive, even if not in this highest sense of the word. He therefore drops the definition of form, the definition of what a "productive labourer" is from the standpoint of capitalist production; and asserts, in opposition to the Physiocrats, that the NON-AGRICULTURAL, INDUSTRIAL CLASS reproduces its own wages, that is, it does after all produce a value equal to the value it consumes, and thereby "continues, at least, the existence of the stock or capital which employs it". Hence arises, under the influence of and in contradiction to the Physiocrats, his second definition of what is "productive labour".

"Secondly," says Adam Smith, "it seems, on this account, altogether improper to consider artificers, manufacturers, and merchants, in the same light as menial servants. *The labour of menial servants does not continue the existence of the fund which maintains and employs them. Their maintenance and employment is altogether at the expense of their masters, and the work which they perform is not of a nature to repay expense.* That work consists in *services* which *generally perish in the very instant of their performance,* and *does not fix or realise itself in any vendible commodity, which can replace the value of their wages and maintenance.* The labour, on the contrary, of artificers, manufacturers, and merchants, *naturally does fix and realise itself in some such vendible and exchangeable commodity.* It is up on this account that, in the chapter in which I treat of *productive* and *unproductive labour,* I have classed artificers, manufacturers, and merchants among the *productive* labourers, and menial servants among the *barren* or *unproductive*" ([Garnier,] l.c., p. 531) [Vol. III, pp. 140-41].

As soon as capital has mastered the whole of production, revenue, in so far as it is at all exchanged against labour, will not be exchanged directly against labour which produces *commodities,* but against *mere services.* It is exchanged partly against *commodities* which are to serve as use values, and partly against *SERVICES,*[a] which as such are consumed as use values.

A *commodity*—as distinguished from labour capacity itself—is a material thing confronting man, a thing of a certain utility for him, in which a definite quantity of labour is fixed or materialised.

So we come to the definition already in essence contained in point I: a productive labourer is one whose labour *produces commodities;* and indeed such a labourer does not consume more commodities than he produces, than his labour costs. His labour fixes and realises itself "*in some such vendible and exchangeable commodity*", "*in any vendible commodity, which can replace the value of their wages and maintenance*"—(that is, of the workers who produced these commodities). By producing commodities the productive worker constantly reproduces the variable capital which he constantly consumes in the form of wages. He constantly produces the fund which pays him, "which maintains and employs him".

In the first place, Adam Smith naturally includes in the labour

[a] Marx repeats this word in German after the English word.—*Ed.*

which fixes or realises itself IN A VENDIBLE AND EXCHANGEABLE COMMODITY all intellectual labours which are directly consumed in material production. Not only the labourer working directly with his hands or a machine, but OVERLOOKER, *ingenieur*, MANAGER, *commis*,[a] etc.—in a word, the labour of the whole personnel required in a particular sphere of material production to produce a particular commodity, whose joint labour (co-operation) is required for commodity production. In fact they add their aggregate labour to the constant capital, and increase the value of the product by this amount. (How far is this true of bankers,[15] etc.?)

[VII-309] *Secondly*, Adam Smith says that on the whole, "GENERALLY", this is not the case with the labour of unproductive labourers. Even though capital has conquered material production, and so by and large home industry has disappeared, or the industry of the small craftsman who makes use values directly for the consumer at his home—even then, Adam Smith knows quite well, a seamstress whom I get to come to my house to sew shirts, or workmen who repair furniture, or the servant who scrubs and cleans the house, etc., or the cook who gives meat and other things their palatable form, fix their labour in a thing and in fact increase the value of these things in exactly the same way as the seamstress who sews in a factory, the engineer who repairs the machine, the workers who clean the machine, or the cook who cooks in a hotel as the wage labourer of a capitalist. These use values are also, potentially, commodities; the shirts may be sent to the pawnshop, the house resold, the furniture put up to auction, and so on. Thus these persons have potentially also produced commodities and added value to the objects of their labour. But this is a very small category among unproductive workers, and does not apply either to the mass of MENIAL SERVANTS or to parsons, government officials, soldiers, musicians and so on. But however large or small the number of these "unproductive labourers" may be, this much at any rate is evident—and is ADMITTED by the limitation expressed in the phrase "HIS SERVICES *GENERALLY* PERISH IN THE VERY INSTANT OF THEIR PERFORMANCE", etc.[b]—that neither the special kind of labour nor the form of appearance of its product necessarily make it "productive" or "unproductive". The same labour can be productive when I buy it as a capitalist, as a producer, in order to valorise it, and unproductive when I buy it as a consumer, a spender of revenue, in order to consume its use value, no matter

[a] Clerk.—*Ed.*

[b] See this volume, p. 17.—*Ed.*

whether this use value perishes with the activity of the labour capacity itself or materialises and fixes itself in an object.

The cook in the hotel produces a commodity for the person who as a capitalist has bought her labour—the hotel proprietor; the consumer of the MUTTON CHOPS has to pay for her labour, and this labour replaces for the hotel proprietor (apart from profit) the fund out of which he continues to pay the cook. On the other hand if I buy the labour of a cook for her to cook meat, etc., for me, not to make use of it as labour in general but to enjoy it, to use it as that particular concrete kind of labour, then her labour is unproductive, in spite of the fact that this labour fixes itself in a material product and could just as well (in its result) be a vendible commodity, as it in fact is for the hotel proprietor. The great difference (the conceptual difference) however remains: the cook does not replace for me (the private person) the fund from which I pay her, because I buy her labour not as a value-creating element but purely for the sake of its use value. Her labour as little replaces for me the fund with which I pay for it, that is, her wages, as, for example, the dinner I eat in the hotel in itself enables me to buy and eat the same dinner again a second time. This distinction however is also to be found between commodities. The commodity which the capitalist buys to replace his constant capital (for example, cotton material, if he is a cotton printer) replaces its value in the printed cotton. But if on the other hand he buys it in order to consume the cotton itself, then the commodity does not replace his outlay. The largest part of society, that is to say the working class, must incidentally perform this kind of labour for itself; but it is only able to perform it when it has laboured "productively". It can only cook meat for itself when it has produced a wage with which to pay for the meat; and it can only keep its furniture and dwellings clean, it can only polish its boots, when it has produced the value of furniture, house rent and boots. To this class of productive labourers itself, therefore, the labour which they perform for themselves appears as "unproductive labour". This unproductive labour never enables them [VII-310] to repeat the same unproductive labour a second time unless they have previously laboured productively.

Thirdly. On the other hand: an ENTREPRENEUR of theatres, concerts, brothels, etc., buys the temporary disposal over the labour capacity of the actors, musicians, prostitutes, etc.—IN FACT in a roundabout way that is only of formal economic interest; in its result the process is the same—he buys this so-called "unproductive labour", whose "SERVICES PERISH IN THE VERY INSTANT OF THEIR PERFORMANCE" and do not fix or realise themselves in "ANY PERMANENT" ("PARTICULAR" is also used) "SUBJECT OR VENDIBLE COMMODITY" (apart from themselves).[a] The sale of these to the public provides him with wages and profit. And these SERVICES which he has thus bought enable him to buy them again; that is to say, they themselves renew the fund from which they are paid for. The same is true for example of the labour of clerks employed by a lawyer in his office—except for the fact that these SERVICES as a rule also embody themselves in very BULKY "PARTICULAR SUBJECTS" in the form of immense bundles of documents.

It is true that these SERVICES are paid for to the ENTREPRENEUR out of the revenue of the public. But it is no less true that this holds good of all products in so far as they enter into individual consumption. It is true that the country cannot export these services as such; but it can export those who perform the services. Thus France exports dancing masters, cooks, etc., and Germany schoolmasters. With the export of the dancing master, or the schoolmaster, however, his revenue is also exported, while the export of dancing shoes and books brings a return to the country.

If therefore on the one hand a part of the so-called unproductive labour embodies itself in material use values which might just as well be commodities (VENDIBLE COMMODITIES),[a] so on the other hand a part of the services in the strict sense which assume no objective form—which do not receive an existence as things separate from those performing the services, and do not enter into a commodity as a component part of its value—may be bought with capital (by the *immediate* purchaser of the labour), may replace their own wages and yield a profit. In short, the production of these services can be in part subsumed under capital, just as a part of the labour which embodies itself in useful things is bought directly by revenue and is not subsumed under capitalist production.

Fourthly. The whole world of "commodities" can be divided into 2 great parts. First, labour capacity; second, commodities as distinct from labour capacity itself. As to the purchase of such services as those which train labour capacity, maintain or modify it, etc., in a word, give it a specialised form or even only maintain it—thus for example the schoolmaster's service, in so far as it is "industrially necessary" or useful; the doctor's service, in so far as it maintains health and so conserves the source of all values, labour capacity itself, etc.—these are services which yield in return

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[a] See this volume, p. 17.—*Ed.*

"a vendible commodity, etc.",[a] namely labour capacity itself, into whose costs of production or reproduction these services enter. Adam Smith knew however how little "EDUCATION" enters into the production costs of the mass of WORKING MEN. And in any case the doctor's services belong to the *faux frais de production*.[b] They can be counted as the cost of repairs for labour capacity. Let us assume that wages and profit fell simultaneously in total value, from whatever cause (for example, because the nation had grown lazier), and at the same time in use value (because labour had become less productive owing to bad harvests, etc.), in a word, that the part of the product whose value is equal to the revenue declines, because less new labour has been added in the past year and because the labour added has been less productive. If in such conditions capitalist and workman wanted to consume the same amount of value in material things as they did before, they would have to buy less of the services of the doctor, schoolmaster, etc. And if they were compelled to continue the same outlay for both these services, then they would have to restrict their consumption of other things. It is therefore clear that the labour of the doctor and the schoolmaster does not directly create the fund out of which they are paid, although their labours enter into the production costs of the fund which creates all values whatsoever—namely, the production costs of labour capacity.

[VII-311] Adam Smith continues:

"Thirdly, it seems, upon every supposition, improper to say, that the labour of artificers, manufacturers, and merchants, does not increase the *real revenue* of the society. Though we should suppose, for example, as it seems to be supposed in this system, that the value of the daily, monthly, and yearly consumption of this class was exactly equal to that of its daily, monthly, and yearly production; yet it would not from thence follow, that its labour added nothing to the real revenue, to the real value of the annual produce of the land and labour of the society. An artificer, for example, who, in the first six months after harvest, executes 10 pounds worth of work, though he should, in the same time, consume 10 pounds worth of corn, and other necessaries, yet really adds the value of 10 pounds to the annual produce of the land and labour of the society. While he has been consuming a half-yearly revenue of 10 pounds worth of corn and other necessaries, he has produced an equal value of work, capable of purchasing, either to himself, or to some other person, an equal half-yearly revenue. The value, therefore, of what has been consumed and produced during these six months, is equal, not to 10, but to 20 pounds. It is possible, indeed, that no more than 10 pounds worth of this value may ever have existed at any one moment of time. But if the 10 pounds worth of corn and other necessaries which were consumed by the artificer, had been consumed by a soldier, or by a menial servant, the value of that part of the annual

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[a] Ibid., p. 19.—*Ed.*

[b] Overhead costs of production.—*Ed.*

produce which existed at the end of the six months, would have been 10 pounds less than it actually is in consequence of the labour of the artificer. Though the value of what the artificer produces, therefore, should not, at any one moment of time, be supposed greater than the value he consumes, yet, at every moment of time, the actually existing value of goods in the market is, in consequence of what he produces, greater than it otherwise would be" ([Garnier,] l.c., pp. 531-33) [Vol. III, pp. 141-42].

Is not the value of the commodities at any time in the market greater as a result of the "unproductive labour" than it would be without this labour? Are there not at every moment of time in the market, alongside wheat and meat, etc., also prostitutes, lawyers, sermons, concerts, theatres, soldiers, politicians, etc.? These lads or wenches do not get the corn and other necessaries or pleasures for nothing. In return they give or pester us with their services, which as such services have a use value and because of their production costs also an exchange value. Reckoned as consumable ARTICLES, there is at every moment of time, alongside the consumable articles existing in the form of goods, a quantity of consumable articles in the form of SERVICES. The total quantity of consumable articles is therefore at every moment of time greater than it would be without the consumable SERVICES. Secondly, however, the value too is greater; for it is equal to the value of the commodities which are given for these SERVICES, and is equal to the value of the SERVICES themselves. Since here, as in every exchange of commodity for commodity, equal value is given for equal value, the same value is therefore present twice over, once on the buyer's side and once on the seller's.

//Adam Smith goes on to say in reference to the Physiocrats:

"When the patrons of this system assert, that the *consumption* of artificers, manufacturers, and merchants, is *equal to the value of what they produce*, they probably mean no more than that their *revenue*, or *the fund destined for their consumption, is equal to it*" (that is, to the value of what they produce) ([Garnier,] l.c., p. 533) [Vol. III, pp. 142-43].

In this the Physiocrats were right in relation to *ouvriers* and *maîtres*[a] taken together, rent forming only a special category of the latter's profit.//

[VII-312] //*Adam Smith* notes on the same occasion—i.e., in his criticism of the Physiocrats—l. IV, ch. IX (edit. Garnier, t. III):

"The annual produce of the land and labour of any society can be augmented only in two ways; either, *first*, by some *improvement in the productive powers of the useful labour* actually maintained within it; or, *secondly, by some increase in the quantity of that labour*. The improvement in the productive powers of useful labour depends *upon the improvement in the ability of the workman*; and *upon that of the machinery with*

[a] Workers and employers.—*Ed.*

which he works.... The increase in the quantity of useful labour actually employed within any society must depend altogether upon *the increase of the capital which employs it*; and *the increase of that capital*, again, *must be exactly equal to the amount of the savings* from the revenue, either of the particular persons who manage and direct the employment of that capital, or of some other persons, who lend it to them" ([Garnier,] pp. 534-35) [Vol. III, pp. 143, 144].

Here we have a double *cercle vicieux*.[a] *First*: the annual product is augmented by greater productivity of labour. All means to augment this productivity (in so far as this is not due to accidents of nature such as a specially favourable SEASON, etc.) require an increase of capital. But in order to increase the capital, the annual product of labour must be increased. First circle. *Secondly*: the annual product can be augmented by an increase in the quantity of labour employed. The quantity of labour employed, however, can only be increased if the capital which "employs it" is first increased. Second circle. Adam Smith helps himself out of both vicious circles with "*savings*", by which he means in fact the transformation of revenue into capital.

To think of the whole PROFIT as "revenue" for the capitalist is already in itself wrong. The law of capitalist production requires on the contrary that a part of the surplus labour, of the unpaid labour, performed by the workman should be transformed into CAPITAL. When the individual capitalist functions as a capitalist—that is, as a functionary of capital—he himself may think of this as saving; but it also appears to him as a necessary reserve fund. The increase of the quantity of labour does not however depend only on the number of workmen, but also on the length of the working day. The quantity of labour can therefore be increased without increasing the part of the capital that is converted into wages. Similarly, on this assumption there would be no need to increase the machinery, etc. (although it would wear out more quickly; but this makes no difference). The only thing that would have to be increased is the part of the raw material that resolves itself into seed, etc. And it remains true that, taking a single country (excluding foreign trade), surplus labour must first be applied to agriculture before it becomes possible in the industries which get their *matière brute*[b] from agriculture. A part of this *matière brute*, such as coal, iron, wood, fish, etc. (the last-named for example as manure), in a word, all fertilisers other than animal manures, can be got by merely increasing the labour (the number of labourers remaining the same). There can therefore be no lack of these. On

[a] Vicious circle.—*Ed.*
[b] Raw material.—*Ed.*

the other hand it has been shown above that the increase of productivity in its origin always presupposes merely the concentration of capital, not the accumulation of capital.[16] Later however each process supplements the other.//

//The reason why the Physiocrats preached *laissez-faire, laissez-passer*,[17] in short, free competition, is correctly stated in the following passages from Adam Smith:

"The trade which is carried on between these two different sets of people" (country and town) "consists ultimately in a certain quantity of rude produce exchanged for a certain quantity of manufactured produce. The dearer the latter, therefore, the cheaper the former; and whatever tends in any country to raise the price of manufactured produce, tends to lower that of the rude produce of the land, and thereby to discourage agriculture." But all fetters and restrictions placed on manufactures and foreign trade make manufactured commodities, etc., dearer. Therefore, etc. (Smith, [Garnier,] l.c., pp. *554-55*) [Vol. III, pp. 158, 159].//

[VII-313] Smith's second view of "productive" and "unproductive labour"—or rather the view that is interwoven with his other view—therefore amounts to this: that the former is labour which produces *commodities*, and the latter is labour which does not produce "any commodity". He does not deny that the one kind of labour, equally with the other, is a c o m m o d i t y. See above.[a] * "The labour of the latter ... has its value, and deserves its reward as well as that of the former" * (that is, from the economic standpoint; there is no question of moral or other standpoints in the case of either the one or the other kind of labour). The concept commodity however implies that labour embodies, materialises, realises itself in its product. Labour itself, in its immediate being, in its living existence, cannot be directly conceived as a commodity, but only labour capacity, of which labour itself is the temporary manifestation. Just as it is only in this way that wage labour proper can be explained, so it is with "unproductive labour", which Adam Smith determines throughout by the production costs required to produce the "unproductive labourer". A *commodity* must therefore be conceived as something different from labour itself. Then, however, the world of commodities is divided into two great categories:

On one side, labour capacity.

On the other side, commodities themselves.

The materialisation, etc., of labour is however not to be taken in such a Scottish sense as Adam Smith conceives it. When we speak of the commodity as a materialisation of labour—in the sense of its exchange value—this itself is only an imaginary, that is to say, a

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[a] See this volume, p. 17.—*Ed.*

purely social mode of existence of the commodity which has nothing to do with its corporeal reality; it is conceived as a definite quantity of social labour or of money. It may be that the concrete labour whose result it is leaves no trace in it. In manufactured commodities this trace remains in the outward form given to the raw material. In agriculture, etc., although the form given to the commodity, for example wheat or oxen and so on, is also the product of human labour, and indeed of labour transmitted and added to from generation to generation, yet this is not evident in the product. In other forms of industrial labour the purpose of the labour is not at all to alter the form of the thing, but only its position. For example, when a commodity is brought from China to England, etc., no trace of the labour involved can be seen in the thing itself (except for those who call to mind that it is not an English product). Therefore the materialisation of labour in the commodity must not be understood in that way. (The mystification here arises from the fact that a social relation appears in the form of a thing.) It remains true, however, that the commodity appears as past, objectified labour, and that therefore, if it does not appear in the form of a thing, it can only appear in the form of labour capacity itself; but never directly as living labour itself (except only in a roundabout way which in practice seems the same, but this is not so in the determination of different wages). Productive labour would therefore be such labour as produces commodities or directly produces, trains, develops, maintains or reproduces labour capacity itself. Adam Smith excludes the latter from his category of productive labour; arbitrarily, but with a certain correct instinct—that if he included it, this would open the flood-gates for FALSE PRETENSIONS to the title of productive labour.

In so far therefore as we leave labour capacity itself out of account, productive labour is labour which produces commodities, material products, whose production has cost a definite quantity of labour or labour time. These material products include all products of art and science, books, paintings, statues, etc., in so far as they take the form of things. In addition, however, the product of labour must be a *commodity* in the sense of being "A VENDIBLE COMMODITY",[a] that is to say, a commodity in its first form, which has still to pass through its metamorphosis. (A manufacturer may himself construct a machine if he cannot get one built anywhere else, not to sell it but to make use of it as a use value. However, he then wears it out as a part of his constant capital and so sells it

[a] Ibid.—*Ed.*

piecemeal in the form of the product which it has helped to make.)

[VII-314] Certain labours of MENIAL SERVANTS may therefore equally well take the form of *commodities* (*potentia*) and even of the same use values considered as material objects. But they are not productive labour, because in fact they produce not "commodities" but immediate "*use values*". As for labours which are productive for their purchaser or EMPLOYER himself—as for example the actor's labour for the theatrical entrepreneur—the fact that their purchaser cannot sell them to the public in the form of commodities but only in the form of the action itself would show that they are unproductive labours.

Apart from such cases, productive labour is such as produces *commodities*, and *unproductive labour* is such as produces personal services. The former labour is represented in a vendible thing; the latter must be consumed while it is being performed. The former includes (except for that labour which creates labour capacity itself) all material and intellectual wealth—meat as well as books—that exists in the form of things; the latter covers all labours which satisfy any imaginary or real need of the individual—or even those which are forced upon the individual against his will.

The *commodity* is the most elementary form of bourgeois wealth. The explanation of "productive labour" as labour which produces "commodities" also corresponds, therefore, to a much more elementary point of view than that which defines productive labour as labour which produces capital.

Adam Smith's opponents have disregarded his first, pertinent definition, and instead have concentrated on the second, pointing out the contradictions and inconsistencies unavoidable here. And their attacks were made all the easier for them by their insistence on the material content of the labour, and particularly the specific requirement that the labour must fix itself in a more or less *permanent* product. We shall see in a moment what it was that particularly gave rise to the polemics.

But first this further point. Adam Smith says of the Physiocratic system that its great merit is that it REPRESENTED

> "the wealth of nations as consisting not in the unconsumable gold and silver, but in the consumable goods annually reproduced by the labour of the society" ([Garnier,] t. III, l. IV, ch. IX, p. 538) [Vol. III, p. 146].

Here we have a deduction of his second DEFINITION OF PRODUCTIVE LABOUR. The definition of surplus value naturally depended on the form in which value itself was conceived. In the Monetary and

Mercantile systems it is therefore presented as *money*; by the Physiocrats, as the produce of the land, as agricultural product; finally in Adam Smith's writings as mere *commodity*. In so far as the Physiocrats touch on the substance of value, they resolve it entirely into pure use value (matter, corporeal object), just as the Mercantilists resolve it into the pure form of value, the form in which the product *makes itself manifest* as general social labour: money. With Adam Smith, both conditions of the commodity—use value and exchange value—are combined; and so all labour is productive which manifests itself in any use value, any useful product. That the labour that manifests itself in the product is productive already implies that the product at the same time=a definite quantity of general social labour. As against the Physiocrats, Adam Smith re-establishes the value of the product as the essential basis of bourgeois wealth; but on the other hand he divests value of the purely fantastic form—that of gold and silver—in which it appeared to the Mercantilists. Every commodity is *in itself* money. It must be recognised that at the same time Adam Smith also falls back *plus ou moins*[a] into the Mercantilist conception of "permanency"—IN FACT, inconsumability. We can recall the passage in Petty (see my Part I, p. 109,[b] where I quote from Petty's *Political Arithmetick*) where wealth is valued according to the degrees in which it is imperishable, more or less permanent, and finally gold and silver are set above all other things as wealth that is "not perishable".

"In restricting the sphere of *wealth*" (says Adolphe Blanqui, *Histoire de l'économie politique*, Brussels, 1843, p. 152 [18]) "exclusively to those values which are embodied in material substances, he [Smith] erased from the book of production the whole boundless mass of immaterial values, daughters of the *moral capital* of civilised nations," etc.[c]

The polemics against Adam Smith's distinction between productive and unproductive labour were for the most part confined to the *dii minorum gentium*[d] (among whom moreover Storch was the most important); they are not to be found in the work of any economist of significance [VII-315]—of anyone of whom it can be said that he made some discovery in political economy. They are, however, the hobby-horse of the SECOND-RATE FELLOWS and especially of the schoolmasterish compilers and writers of compendia, as well

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[a] More or less.—*Ed.*

[b] K. Marx, *Zur Kritik der politischen Oeconomie*, Erstes Heft, Berlin, 1859 (see present edition, Vol. 29, p. 363).—*Ed.*

[c] Marx quotes Blanqui in French.—*Ed.*

[d] Gods of the lesser tribes.—*Ed.*

as of *dilettanti* with facile pens and vulgarisers in this field. What particularly aroused these polemics against Adam Smith was the following circumstance.

The great mass of so-called "higher grade" workers—such as state officials, military people, artists, doctors, priests, judges, lawyers, etc.—some of whom are not only not productive but in essence destructive, but who know how to appropriate to themselves a very great part of the "material" wealth partly through the sale of their "immaterial" commodities and partly by forcibly imposing the latter on other people—found it not at all pleasant to be relegated *economically* to the same class as BUFFOONS and MENIAL SERVANTS and to appear merely as people partaking in the consumption, parasites on the actual producers (or rather agents of production). This was a peculiar profanation precisely of those functions which had hitherto been surrounded with a halo and had enjoyed superstitious veneration. Political economy in its classical period, like the bourgeoisie itself in its parvenu period, adopted a severely critical attitude to the machinery of the State, etc. At a later stage it realised and—as was shown too in practice—learnt from experience that the necessity for the inherited social combination of all these classes, which in part were totally unproductive, arose from its own organisation. In so far as those "unproductive labourers" do not provide pleasure, and therefore whether they are purchased or not depends entirely on the way in which the agent of production chooses to expend his wages or his profit—in so far on the contrary as they are necessary or make themselves necessary partly because of physical infirmities (like doctors), or spiritual weakness (like parsons), or because of the conflict between private interests and national interests (like statesmen, all LAWYERS, police and soldiers)—they are regarded by Adam Smith, as by the industrial capitalists themselves and the working class, as *faux frais de production*, which are therefore to be cut down to the most indispensable minimum and provided as cheaply as possible. Bourgeois society reproduces in its own form everything against which it had fought in feudal or absolutist form. In the first place therefore it becomes a principal task for the sycophants of this society, and especially of the upper classes, to restore in theoretical terms even the purely parasitic section of these "unproductive labourers", or to justify the exaggerated claims of the section which is indispensable. The *dependence* of the ideological, etc., classes on the *capitalists* was in fact proclaimed.

Secondly, however, a section of the agents of production (of material production itself) were declared by one group of economists or another to be "unproductive". For example, the landowner, by those among the economists who represented industrial capital (Ricardo). Others (for example Carey) declared that the *commerçant* proper was an "unproductive" labourer. Then even a third group came along who declared that the "capitalists" themselves were unproductive, or who at least sought to reduce their claims to material wealth to "wages", that is, to the wages of a "productive labourer". Many intellectual workers seemed inclined to share this scepticism. It was therefore time to make a compromise and to recognise the "productivity" of all classes not directly included among the agents of material production. One good turn deserves another; and, as in *The Fable of the Bees*,[a] it had to be established that even from the "productive", economic standpoint, the bourgeois world with all its "unproductive labourers" is the best of all worlds. This was all the more necessary because the "unproductive labourers" on their part were advancing critical observations in regard to the productivity of the classes who in general were "*fruges consumere nati*",[b] or in regard to those agents of production, like landowners, who do nothing at all, etc. Both the *do-nothings* and their *parasites* had to find a place in this best possible order of things.

Thirdly: As the dominion of capital extended, and in fact those spheres of production not directly related to the production of material wealth became also more and more dependent on it—especially when the positive sciences (natural sciences) were subordinated to it as serving material production—[VII-316] the sycophantic UNDERLINGS of political economy felt it their duty to glorify and justify every sphere of activity by demonstrating that it was "linked" with the production of material wealth, that it was a means towards it; and they honoured everyone by making him a "productive labourer" in the "primary" sense, namely, a LABOURER who labours in the service of capital, is useful in one way or another to the enrichment of the capitalist, etc.

In this matter even such people as Malthus are to be preferred, who directly defend the necessity and usefulness of "*unproductive* labourers" and pure parasites.

It is not worth the trouble to examine the inanities of Germain Garnier (Smith's translator), the Earl of Lauderdale, Brougham, Say, Storch, and later Senior, Rossi, and so on, in regard to this question. We shall cite only a few characteristic passages.

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[a] See B. Mandeville, *The Fable of the Bees*.—*Ed.*

[b] "Born to consume the fruits" (Horace, *Epistolae*, Liber primus, Epistola II, 27).—*Ed.*

But first a passage from *Ricardo*, in which he shows that it is much more advantageous for the "productive labourers" when the owners of surplus value (profit, rent) consume it in "unproductive labourers" (AS MENIAL SERVANTS, for instance) than in luxury products produced by the "productive labourers".

//Sismondi: *Nouveaux principes*, Vol. I, p. 148, accepts the correct statement of Smith's distinction (as also of course does Ricardo): the real distinction between productive and unproductive classes is:

"The one always exchanges its labour against the capital of a nation; the other always exchanges it against a part of the national revenue."

Sismondi—likewise following Adam Smith—on surplus value:

"Although the labourer, by his daily labour, may have produced much more than his daily outlay, after sharing with the landowner and the capitalist what remains for him is seldom much beyond what is strictly necessary for his existence" (Sismondi, *Nouveaux principes etc.*, Vol. I, p. 87).[a]//

Ricardo says:

*"If a landlord, or a capitalist, expends his revenue in the manner of an ancient baron, in the support of a great number of retainers, or menial servants, he will give employment to much more labour, than if he expended it on fine clothes, or costly furniture; on carriages, on horses, or in the purchase of any other luxuries. In both cases the net revenue would be the same, and so would be the gross revenue, but the former would be realised in different commodities. If my revenue were 10,000 *l.*, the same quantity nearly of productive labour would be employed, whether I realised it in fine clothes and costly furniture, etc., or in a quantity of food and clothing of the same value. If, however, I realised my revenue in the first set of commodities, no more labour would be *consequently* employed:—I should enjoy my furniture and my clothes, and there would be an end of them; but if I realised my revenue in food and clothing, and my desire was to employ menial servants, all those whom I could so employ with my revenue of 10,000 *l.*, or with the food and clothing which it would purchase, *would be to be added to the former demand for labourers*, and this addition would take place only because I chose this mode of expending my revenue. As the labourers, then, are interested in *the demand for labour*, they must naturally desire that as much of the revenue as possible should be diverted from expenditure on luxuries, to be expended in the support of menial servants"* (Ricardo, *Principles*, 3rd ed., 1821, pp. 475-76).

D'Avenant quotes from an old statistician, Gregory King, a list ENTITLED *Scheme of the Income and Expence of the Several Families of England, Calculated for the Year, 1688.*[b] In this, the erudite King divides the whole nation into two main classes: "*INCREASING* THE WEALTH OF THE KINGDOM—2,675,520 HEADS", and "*DECREASING* THE

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[a] Marx quotes Sismondi in German using French words.—*Ed.*

[b] G. King, *Natural and Political Observations and Conclusions upon the State and the Condition of England*, London, 1696.—*Ed.*

WEALTH OF THE KINGDOM—2,825,000 HEADS"; thus the former is the "productive" class, the latter the "unproductive". The "*productive*" class consists of LORDS, BARONETS, KNIGHTS, ESQUIRES, GENTLEMEN, PERSONS IN OFFICES and PLACES, merchants in oversea trade, PERSONS IN THE LAW, CLERGYMEN, FREEHOLDERS, FARMERS, PERSONS IN LIBERAL ARTS AND SCIENCES, SHOPKEEPERS and TRADESMEN, ARTISANS AND HANDICRAFTS, NAVAL OFFICERS, MILITARY OFFICERS. As against these, the "unproductive" class consists of: sailors (COMMON SEAMEN), LABOURING PEOPLE AND OUT SERVANTS (these are agricultural labourers and day wage labourers in manufacture), COTTAGERS (who in D'Avenant's time were still $^1/_5$ of the total English population), [VII-317] COMMON SOLDIERS, PAUPERS, GIPSIES, THIEVES, BEGGARS and VAGRANTS GENERALLY. D'Avenant explains this list of ranks prepared by the learned King as follows:

"By which he means, that the first class of the people, FROM LAND, ARTS AND INDUSTRY, maintain themselves, and add every year something to the nation's general STOCK; and besides this, out of their superfluity, contribute every year SO MUCH TO THE MAINTENANCE OF OTHERS. That of the second class, some partly maintain themselves BY LABOUR but that the rest, as most of the wives and children of these, are nourish'd at the cost of others; and are a yearly burthen to the publick, CONSUMING ANNUALLY SO much AS WOULD BE OTHERWISE ADDED to the NATION'S GENERAL STOCK" (D'Avenant, *An Essay upon the Probable Methods of Making a People Gainers in the Ballance of Trade*, London, 1699, pp. 23 and 50).

In addition to this, the following passage from D'Avenant is rather characteristic of the views of the Mercantilists on surplus value:

It is "the exportation of our own product that must make England rich: to be gainers in the balance of trade, we must carry out of our own product, *what will purchase the things of foreign growth that are needful for our own consumption, with some *overplus* either in bullion or goods to be sold in other countries; *which overplus* is the *profit a nation makes by trade*, and it is more or less according to the natural frugality of the people that export,"* (a frugality which the Dutch have, but not the English—l.c., pp. 46, 47) *"or as from the low price of labour and manufacture they can afford the commodity cheap, and at *a rate not to be undersold in foreign markets*"* (D'Avenant, l.c., pp. [45-]46).

//"BY WHAT IS CONSUM'D AT HOME, ONE LOSETH ONLY WHAT ANOTHER GETS, and the nation in general is not at all the richer; but ALL FOREIGN CONSUMPTION IS A CLEAR AND CERTAIN PROFIT" (*An Essay on the East-India Trade etc.*, London, 1697) [p. 31].//

//This work, *printed in the form of an appendix* to another work of D'Avenant's,[19] which he tries to defend is not the same as the *Considerations on the East-India Trade*, 1701, quoted by McCulloch.//

Incidentally, it must not be thought that these Mercantilists were as stupid as they were made out to be by the later Vulgar-FREETRADERS. In Part II of his *Discourses on the Publick Revenues, and on the Trade of England etc.*, London, 1698, D'Avenant says among other things:

"Gold and silver are indeed the measure of trade, but the spring and ORIGINAL OF IT, IN ALL NATIONS, is the natural, or artificial product of the country, that is to say, what their land, or what their labour and industry produces. And this is so true, that a nation may be suppos'd, by some accident, quite without the species of money, and yet, if the people are numerous, industrious, vers'd in traffick, skill'd in SEA-AFFAIRS, and if they have good ports, and a soil fertile IN VARIETY OF COMMODITIES, such a people will have trade, and, A PLENTY OF SILVER AND GOLD: So that the real and effective riches of a country, is its native product" (l.c., p. 15). "Gold and silver are so far from being the only things that deserve the name of treasure, or the riches of a nation that in truth, money is AT BOTTOM no more than the COUNTERS with which men in their DEALINGS have been accustom'd to reckon" (l.c., p. 16). "We understand that to be wealth which maintains THE PRINCE, AND THE GENERAL BODY of his people, IN PLENTY, EASE and SAFETY. We esteem that to be TREASURE which FOR THE USE OF MAN has been CONVERTED[a] from gold and silver, into buildings and IMPROVEMENTS OF THE COUNTRY. AS ALSO OTHER THINGS *CONVERTIBLE* INTO THOSE METALS, AS THE FRUITS OF THE EARTH, MANUFACTURES, OR FOREIGN COMMODITIES, AND STOCK OF SHIPPING ... even PERISHABLE GOODS, MAY BE HELD THE RICHES OF A NATION, if they are *CONVERTIBLE*, tho' not *CONVERTED* into gold and silver; and this we believe does not only hold between MAN AND MAN, but between one country and another" (l.c., p. 60, etc.). "The COMMON PEOPLE[b] being the stomach of the BODY POLITICK. That stomach in Spain did not take the money as it should have done, [VII-318] and failed to digest it—TRADE AND MANUFACTURES are the only mediums by which such a digestion and distribution of gold and silver can be made, AS WILL BE NUTRITIVE TO THE BODY POLITICK" (l.c., pp. 62-63).[c] [20]

Moreover, Petty too had the conception of *productive labourers* (though he also includes soldiers):

"Husbandmen, seamen, soldiers, ARTIZANS and merchants, are the very PILLARS OF ANY COMMON-WEALTH; all the other great professions *DO RISE OUT OF THE INFIRMITIES AND MISCARRIAGES OF THESE*; NOW THE SEAMAN IS THREE OF THESE FOUR" (NAVIGATOR, MERCHANT, SOLDIER) (*Political Arithmetick etc.*, London, 1699, p. 177). "The labour of seamen, and freight of ships, is always of the nature OF AN EXPORTED COMMODITY, THE OVERPLUS WHEREOF, ABOVE WHAT IS IMPORTED, BRINGS HOME MONEY, etc." (l.c., p. 179).[d]

In this connection Petty also explains the advantages of the division of labour:

"Those who have the command of the sea-trade, may WORK at easier freight with more profit, than others at greater:" (higher freight charges) "for a cloth must be cheaper made, when one etc., another etc., so those who command the trade of shipping, can build different sorts of vessels for different purposes, one sort of vessels for the turbulent sea, another for inland waters and rivers one sort for war, etc. And this is the chief of several reasons, why the Hollanders can go at less freight than their neighbours, viz., because they CAN AFFORD A PARTICULAR SORT

[a] In the manuscript the German word is followed by this English equivalent in the parenthesis.— *Ed.*

[b] The expression "common people" means the same as *tres état* (the third estate) prior to the French Revolution, the entire population as distinct from the clergy and nobility.— *Ed.*

[c] Cf. this volume, p. 9-10.— *Ed.*

[d] Marx quotes Petty with some additions and changes.— *Ed.*

OF VESSELS FOR EACH PARTICULAR TRADE" (l.c., pp. 179-80).[a]

Here too Petty strikes quite a Smithian note when he continues:

If taxes are taken from industrialists, etc., in order to give [money] to those who "in general are occupied in ways WHICH PRODUCE *NO MATERIAL THING*, OR THINGS OF REAL USE AND VALUE IN THE *COMMONWEALTH*: In this case, the wealth of the publick will be diminished: OTHERWISE THAN AS SUCH EXERCISES, ARE RECREATIONS AND *REFRESHMENTS OF THE MIND; AND WHICH BEING MODERATELY USED, DO QUALIFY AND* DISPOSE MEN TO WHAT IN ITSELF IS MORE CONSIDERABLE" (l.c., p. 198).[a] "After computing how many people are needed for industrial work THE REMAINDER may safely and without possible prejudice to the Commonwealth, be employed IN THE ARTS AND EXERCISES OF PLEASURE AND ORNAMENT; THE *GREATEST WHEREOF IS THE IMPROVEMENT OF NATURAL* KNOWLEDGE" (l.c., p. 199).[a] "There is much more to be gained by manufacture than husbandry; and by MERCHANDIZE than MANUFACTURE" (l.c., p. 172). "A seaman is in effect three husbandmen" (p. 178).

Mr. John Stuart Mill, in *Essays on Some Unsettled Questions of Political Economy*, London, 1844, also struggled with the problem of productive and unproductive labour; but in so doing he in fact added nothing to Smith's (second) definition except that labours which produce labour capacity itself are also productive.

"*SOURCES OF ENJOYMENT* may be accumulated and stored up; enjoyment itself cannot. The wealth of a country consists of the sum total of the PERMANENT SOURCES OF ENJOYMENT, whether material or immaterial, CONTAINED IN IT; and labour or expenditure which tends to augment *OR KEEP UP THESE PERMANENT* SOURCES, should, we conceive, be termed *productive*" (l.c., p. 82). "The mechanic or the SPINNER, when he was learning his trade, CONSUMED PRODUCTIVELY, that is to say, his consumption did not tend to diminish, but to increase THE PERMANENT SOURCES OF ENJOYMENT IN THE COUNTRY, BY EFFECTING A NEW CREATION OF THOSE SOURCES, MORE THAN EQUAL TO THE AMOUNT OF THE CONSUMPTION" (l.c., p. 83).[b]

We will now briefly run over the twaddle written against Adam Smith in connection with productive and unproductive labour.

[VII-319] The fifth volume [contains G. Garnier's] Notes to his translation of Smith's *Wealth of Nations* (Paris, 1802).

On "*travail productif*" in the highest sense Garnier shares the view of the Physiocrats; he only makes it somewhat weaker. He opposes Smith's view that

"productive labour ... is that which realises itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past" ([Garnier,] l.c., t. V, p. 169).

//Before dealing with Garnier, something (by way of a digression) on the above mentioned *Mill junior*. What is to be said here really belongs later in this section, where Ricardian theory of surplus value is to be discussed; therefore not here, where we are still concerned with Adam Smith.//[21]

[a] Marx quotes Petty with some additions and changes.—*Ed.*

[b] Marx quotes Mill with some changes.—*Ed.*

In the booklet mentioned above,[22] which, in fact, contains all that is original in Mr. John Stuart Mill's writings about POLITICAL ECONOMY (in contrast to his bulky compendium[a]), he says in *Essay IV*—"On Profits, and Interest":

"Tools and materials, like other things, have originally cost nothing but labour.... The labour employed in making the tools and materials being added to the labour afterwards employed in working up the materials by aid of the tools, the sum total gives the whole of the labour employed in the production of the completed commodity.... *To replace capital, is to replace nothing but the WAGES OF THE LABOUR EMPLOYED*" (l.c., p. 94).[22]

This in itself is quite wrong, because the EMPLOYED LABOUR and the wages paid are by no means identical. On the contrary, the EMPLOYED LABOUR=the sum of wages and profit. To replace capital means to replace the labour for which the capitalist pays (WAGES) and the labour for which he does not pay but which he nevertheless sells (PROFIT). Mr. Mill is here confusing "EMPLOYED LABOUR" AND THAT PORTION OF THE EMPLOYED LABOUR WHICH IS PAID FOR BY THE CAPITALIST WHO EMPLOYS IT. This confusion is itself no recommendation for his understanding of the Ricardian theory, which he claims to teach.

Incidentally, it should be noted in relation to constant capital that though each part of it can be reduced to PREVIOUS LABOUR and therefore one can imagine that at some time it represented PROFIT or wages or both, but once it exists as constant capital, one part of it—for example, seeds, etc.—can no longer be transformed into profit or wages.

Mill does not distinguish surplus value from profit. He therefore declares that the *rate of profit* (and this is correct for the surplus value which has already been transformed into profit) is equal to the ratio of the price of the product to the price of its means of production (labour included). (See pp. 92-93.) At the same time he seeks to deduce the laws governing the *rate of profit* directly from the Ricardian law, in which Ricardo confuses surplus value and profit, [and to prove] that "PROFITS DEPEND UPON WAGES; RISING AS WAGES FALL, AND FALLING AS WAGES RISE" [p. 94].

Mr. Mill himself is not quite clear about the *question* which he seeks to answer. We will therefore formulate *his* question briefly before we hear his answer. The rate of profit is the ratio of surplus value to the *total amount* of the capital advanced (constant and variable capital taken together) while surplus value itself is the excess of the quantity of labour performed by the labourer over

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[a] J. St. Mill, *Principles of Political Economy*.... In two volumes, London, 1848.—*Ed.*

the quantity of labour which is advanced him as wages; that is, surplus value is considered only in relation to the variable capital, or to the capital which is laid out in wages, not in relation to the whole capital. Thus the rate of surplus value and the rate of profit are two different rates, although profit is only surplus value considered *sub certa specie*.[a] It is correct to say with regard to the rate of surplus value that it exclusively "DEPENDS UPON WAGES; RISING AS WAGES FALL, AND FALLING AS WAGES RISE". (But it would be wrong with regard to the total amount of surplus value, for this depends not only on the rate at which the surplus labour of the individual worker is appropriated but likewise on the mass (number) of workers exploited at the same time.) Since the rate of profit is the ratio of surplus value to the total value of the capital advanced, it is naturally affected and determined by the fall or rise of surplus value, and hence, by the RISE OR FALL OF WAGES, but in addition to this, the rate of profit includes factors [VII-320] which are independent of it and not directly reducible to it. Mr. John Stuart Mill, who, on the one hand, *directly* identifies profit and surplus value, like Ricardo, and, on the other hand (moved by considerations concerning the polemic against the anti-Ricardians), does not conceive the *rate of profit* in the Ricardian sense, but in its real sense, as the *ratio* of surplus value to the total value of the capital advanced (variable capital+constant capital), goes to great lengths to prove that the rate of profit is determined *directly* by the law which determines surplus value and can be simply reduced to the fact that the smaller the portion of the working day the worker appropriates to himself, the greater the portion which goes to the capitalist, and vice versa. We will now observe his torment, the worst part of which is that he is not sure which problem he really wants to solve. If he had formulated the problem correctly, it would have been impossible for him to solve it wrongly in *this* way.

He says, then:

"Though TOOLS, MATERIALS, and BUILDINGS are themselves the produce of labour, yet the *whole* of their value is not resolvable into the WAGES of the labourers by whom they were produced." //He said above that the replacement of capital is the replacement of WAGES.// "The profits which the capitalists make on these WAGES, need to be added. The last capitalist producer has to replace from his product not only the *WAGES* paid both by himself and by the TOOL-MAKER, but also the PROFIT OF THE TOOL-MAKER, ADVANCED by him himself out of his own capital" (l.c., p. 98).[b] Hence "*PROFITS* do not compose merely the *SURPLUS* after replacing the

[a] From a particular point of view.—*Ed.*

[b] This sentence and the one preceding it are a summary by Marx of Mill's arguments on this page.—*Ed.*

outlay; they also enter into the outlay itself. Capital is expended partly in paying or reimbursing WAGES, and partly in paying the PROFITS of other capitalists, whose concurrence was necessary in order to bring together the means of production" (pp. 98-99). "An article, therefore, may be *the produce of the same quantity of labour as before*, and yet, if any *portion of the profits* which the last producer has to make good to previous producers can be saved (economised), *the cost of production of the article is diminished*.... It is, therefore, strictly true, that the RATE OF PROFITS VARIES INVERSELY AS THE COST OF PRODUCTION OF WAGES" (pp. 102-03).

We are naturally always working on the assumption here that the price of a commodity is equal to its value. It is on this basis that Mr. Mill himself carries on the investigation.

Profit, in the passages quoted, appears *d'abord*[a] to bear a very strong resemblance to PROFIT UPON ALIENATION[10]; but *passons outre*.[b] Nothing is more wrong than to say that (if it is sold at its *value*) an article is "the produce of the same quantity of labour as before" and at the same time that by some circumstance or other "the cost of production of the article" can be "diminished". //Unless it is in the sense I first advanced, i.e., when I distinguished between the production cost of the article and the production cost to the capitalist, since he does not pay a part of the production costs.[23] In this case, it is indeed true that the capitalist makes his profit out of the unpaid surplus labour of his own workers just as he may also make it by *underpaying* the capitalist who supplies him with his constant capital, that is, by not paying this capitalist for a part of the surplus labour embodied in the commodity and not paid for by this capitalist (and which precisely for that reason constitutes his profit). This amounts to the fact that he always pays for the commodity *less* than its value. The rate of profit //that is, the ratio of surplus value to the total value of the capital advanced// can increase either because the same quantity of capital advanced becomes objectively cheaper (due to the increased productivity of labour in those spheres of production which produce constant capital) or because it becomes subjectively cheaper for the buyer, since he pays for it *below* its value. *For him*, it is then always the result of a smaller quantity of labour.//

[VII-321] What Mill says first of all, is that the *constant capital* of the capitalist who manufactures the last commodity resolves not into WAGES alone, but also into PROFITS. His line of reasoning is as follows:

If it were resolvable into WAGES alone, then profit would be the surplus accruing to the last capitalist after he has reimbursed

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[a] First of all.—*Ed.*

[b] Let us proceed.—*Ed.*

himself for all WAGES paid (and the whole //paid// costs of the product could be reduced to WAGES), which would constitute the whole of the capital advanced. The total value of the capital advanced would be=to the total value of the WAGES embodied in the product. Profit would be the surplus over this. And since the rate of profit is=to the ratio of this surplus to the total value of the capital advanced, then the rate of profit would obviously rise and fall in proportion to the total value of the capital advanced, that is, in proportion to the *value of wages*, the aggregate of which constitutes the capital advanced. //This objection is, in fact, silly, if we consider the *general* relation of profits and wages. Mr. Mill needed only to put on one side that part of the whole product which is resolvable into profit (irrespective of whether it is paid to *the last* or to the previous capitalists, the co-functionaries in the production of the commodity) and then put that part which resolves into wages on the other, and the amount of profit would still be equal to the SURPLUS over the total amount of wages, and it could be asserted that the Ricardian "inverse ratio" applied directly to the rate of profit. It is not true, however, that the whole of the capital advanced can be resolved into profit and wages.// But the capital advanced does not resolve itself into wages alone, but also into profits advanced. Profit therefore is a surplus not only over and above the wages advanced, but also over the profits advanced. The *rate of profit* is therefore determined not only by the surplus over wages, but by the last capitalist's surplus over the total sum of wages+profits, the sum of which, according to this assumption, constitutes the whole of the capital advanced. Hence this rate can obviously be altered not only as a result of a rise or fall in wages, but also as a result of a rise or fall in profit. And if we disregarded the changes in the rate of profit arising from the rise or fall in wages, that is, if we assumed—as is done innumerable times in practice—that the value of the wages, in other words, their production costs, the labour time embodied in them, remained the same, remained unchanged, then, following the path outlined by Mr. Mill, we would arrive at the pretty law that the rise or fall in the rate of profit depends on the rise or fall of profit.

"If any portion of the profits which the last producer has to make good to previous producers can be economised, the cost of production of the article is diminished." [a]

This is in fact very true. If we assume that no portion of the previous producers' profit was a mere SURCHARGE—PROFIT UPON

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[a] See this volume, p. 38.—*Ed.*

ALIENATION as James Stuart says, then every economy in one "portion of profit" //so long as it is not achieved by the latter producer swindling the previous one, that is, by not paying him for the whole of the value contained in his commodity// is an economy in the quantity of labour required for the production of the commodity. //Here we disregard the profit paid, for instance, for that time during the period of production, etc., when the capital lies idle.// For example, if 2 days were required to bring raw materials—coal, for instance—from the pit to the factory, and now only 1 day is required, then there is an "economy" of 1 day's work, but this applies as much to that part of it which resolves into wages as to that which resolves into profit.

After Mr. Mill has made it clear to himself that the rate of *surplus* of the last capitalist, or the rate of profit in general, depends not only on the direct ratio of WAGES to PROFITS, but on the ratio of the last profit, or the profit on every particular capital, to the total value of the capital advanced, which is=to the variable capital (that laid out in wages)+the constant capital—that, in other words, [VII-322] the rate of profit is determined not only by the ratio of profit to the part of capital laid out in wages, that is, not only by the cost of production or the value of wages, he continues:

"It is, therefore, strictly true, that the RATE OF PROFITS VARIES INVERSELY AS THE COST OF PRODUCTION OF WAGES."[a]

Although it is false, it is nevertheless true.

The illustration which he now gives can serve as a classical example of the way in which economists use illustrations, and it is all the more astonishing since its author has also written a book about the science of logic.[b]

"Suppose, for example, that 60 agricultural labourers, receiving 60 qrs OF CORN FOR THEIR WAGES, CONSUME FIXED CAPITAL AND SEED AMOUNTING to the value of 60 qrs more, and that the result of their operations is a produce of 180 qrs. Assuming profit to be 50%, the SEED and TOOLS must have been the produce of the labour of 40 men: for the WAGES of those 40, together with profit make up 60 qrs. *The produce, therefore, consisting of 180 qrs, is the result of the labour altogether of 100 MEN*" [pp. 99-100].[c]

"Now supposing that the amount of labour required remained the same, but *as a result of some discovery no FIXED CAPITAL and SEED were needed.* A RETURN of 180 qrs could not before be obtained but by an outlay of 120 qrs; it can now be obtained by an outlay of not more than 100" [p. 100].

"The produce (180 qrs) is still the result of the same quantity of labour as

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[a] See this volume, p. 38.—*Ed.*

[b] J. St. Mill, *A System of Logic, Ratiocinative and Inductive....* In two volumes, London, 1843.—*Ed.*

[c] Here and below Marx quotes Mill with slight changes.—*Ed.*

before, the labour of 100 MEN. A quarter of corn, therefore, is still the produce of $^{10}/_{18}$ of a man's labour" [p. 100].

"For *a quarter of corn*, which is the REMUNERATION of a single labourer, is indeed the *produce of the same labour as before*; but its cost of production is nevertheless diminished. It is now the produce of $^{10}/_{18}$ of a man's labour, and nothing else; whereas formerly it required for its production [the conjunction of] that quantity of labour plus AN EXPENDITURE, in the form of REIMBURSEMENT OF PROFIT, AMOUNTING to $^{1}/_{5}$ more. If the cost of production OF WAGES had remained the same as before, PROFITS could not have risen. Each labourer received 1 qr of corn; but 1 qr of corn at that time was the result of the same cost of production, as $1\,^{1}/_{5}$ qr NOW. IN ORDER, therefore, that each labourer should receive the same cost of production, each must now receive one qr of corn,$+^{1}/_{5}$" (p[p. 102,] 103).

"Assuming, therefore, that the labourer is paid in the very article he produces, it is EVIDENT that, when any SAVING OF EXPENSE takes place in the production of that article, if the labourer still receives the same COST OF PRODUCTION as before, he must receive an INCREASED QUANTITY, in the very same RATIO in which the productive power of capital has been increased. But, if so, the outlay of the capitalist will bear exactly the same proportion to the return as it did before; and profits will not rise.... The VARIATIONS, therefore, IN THE RATE OF PROFITS, and those IN THE COST OF PRODUCTION OF WAGES, go hand in hand, and are inseparable. Mr. Ricardo's principle is therefore strictly true, if by LOW WAGES be *meant not merely* WAGES *which are the produce of a smaller quantity of labour*, but WAGES which *are produced at less cost, reckoning* LABOUR AND PREVIOUS PROFITS TOGETHER" (l.c., p. 104).

With regard to this wonderful illustration, we note *d'abord* that, as a result of a discovery, corn is supposed to be produced without seeds (raw materials) and without fixed capital; that is, without raw materials and without instruments of labour, by means of mere manual labour, out of air, water and earth. [VII-323] This absurd presupposition contains nothing but the assumption that a product can be produced *without constant capital*, that is, simply by means of newly added labour. In this case, what he set out to prove has of course been proved, namely, that profit and surplus value are identical, and consequently that the rate of profit depends *solely* on the ratio of surplus labour to necessary labour. The difficulty arose precisely from the fact that the rate of surplus value and the rate of profit are two different things because there exists a ratio of surplus value to the constant part of capital—and this ratio we call the rate of profit. Thus if we assume constant capital to be zero, we solve the difficulty arising from the existence of constant capital by abstracting from the existence of this constant capital. Or we solve the difficulty by *assuming* that it *does not exist. Probatum est.*[a]

Let us now arrange the problem, or Mill's illustration of the problem, correctly.

[a] It is proved.—*Ed.*

According to the first assumption we have:

Constant capital (FIXED CAPITAL and SEED)	Variable capital (capital laid out in wages)	Total product	Profit
60 qrs	60 qrs (60 workmen)	180 qrs	60 qrs

It is assumed in this example that the labour which is added to the constant capital=120 qrs and that, since every qr represents the wages of a working day (or of a year's labour, which is merely a working day of 365 working days), the 180 qrs contain only 60 working days, 30 of which account for the wages of the workers and 30 constitute profit. We thus assume in fact that 1 working day is embodied in 2 qrs and that consequently the 60 working days of the 60 workmen are embodied in 120 qrs, 60 of which constitute their wages and 60 constitute the profit. In other words, the worker works one half of the working day for himself, to make up his wages, and one half for the capitalist, thus producing the capitalist's SURPLUS VALUE. The rate of surplus value is therefore 100% and not 50%. On the other hand, since the VARIABLE CAPITAL constitutes only half of the total capital advanced, the rate of profit is not 60 qrs to 60, that is, not 100%, but 60 qrs to 120 and therefore only 50%. If the constant part of the capital had equalled zero, then the whole of the capital advanced would have consisted of only 60 qrs, i.e., only of the capital advanced in wages=30 working days; profit and surplus value, and therefore also their rates, would be identical. Profit would then amount to 100% and not 50%; 2 qrs of corn would be the product of 1 working day, and 120 qrs the product of 60 working days, even though 1 qr of corn would only be the wages of 1 working day and 60 qrs of corn the wages of 60 working days. In other words, the worker would only receive half, 50%, of his product, while the capitalist would receive twice as much—100% calculated on his outlay.

What is the position with regard to the *constant capital* of 60 qrs? These were likewise the product of 30 working days, and if it is assumed with regard to this constant capital that the elements which went into its production are so made up that $^1/_3$ consists of constant capital and $^2/_3$ of newly added labour, and that the surplus value and the rate of profit are also the same as before, we get the following calculation:

Constant capital	Variable capital	Total product	Profit
20 qrs	20 qrs (wages for 20 workers)	60 qrs	20 qrs

Here again the rate of profit would be 50% and the rate of surplus value 100%. The total product would be [VII-324] the product of 30 working days, 10 of which however (=20 qrs) would represent the pre-existing labour (the constant capital) and 20 working days the newly added labour of 20 workers, each of whom would only receive half his product as wages. Two quarters would be the product of one man's labour as in the previous case, although, again as previously, one quarter would represent the wages of one man's labour and one quarter the capitalist's profit, the capitalist thus appropriating half of the man's labour.

The 60 qrs which the last capitalist producer makes as surplus value mean a rate of profit of 50%, because these 60 qrs of surplus value are calculated not only on the 60 advanced in wages but also on the 60 qrs expended in SEED and FIXED CAPITAL, which together amount to 120 qrs.

If Mill calculates that the capitalist who produces the SEED and the fixed capital—a total of 60 qrs—makes a profit of 50%, if he assumes further that the constant and variable capital enter into the product in the same proportion as in the case of the production of the 180 qrs, then it will be correct to say that the profit=20 qrs, wages=20 qrs and the constant capital=20 qrs. Since wages=1 qr, then 60 qrs contain 30 working days in the same way as 120 [quarters] contain 60 [working days].

But what does Mill say?

> "Assuming profit to be 50%, the SEED and TOOLS must have been the produce of the labour of 40 men: *for the* WAGES *of those 40, together with profit make up* 60 qrs." [a]

In the case of the first capitalist, who employed 60 workers, each of whom he paid 1 qr per day as wages (so that he paid out 60 qrs in wages), and laid out 60 qrs in constant capital, the 60 working days resulted in 120 qrs, of which, however, the workers only received 60 in wages; in other words, wages=only half the product of the labour of 60 men. Thus the 60 qrs of constant capital were only=to the product of the labour of 30 men; if they consisted only of profit and wages, then wages would amount to 30 qrs and profit to 30 qrs, thus wages would=the labour of 15 men and profit as well. But the profit amounted to only 50%, since it is assumed that of the 30 days embodied in the 60 qrs, 10 represent pre-existing labour (constant capital) and only 10 are allocated to wages. Thus, 10 days are embodied in constant capital, 20 are newly added working days, of

[a] See this volume, p. 40.—*Ed.*

which, however, the workers only work 10 for themselves, the other 10 being for the capitalist. But Mr. Mill asserts that these 60 quarters are the product of 40 men, while just previously he said that 120 [quarters] were the product of 60 [men]. In the latter case, 1 qr contains $^1/_2$ working day (although it is the wages paid for a whole working day); in the former, $^3/_4$ qr would$=^1/_2$ working day, whereas $^1/_3$ of the product (i.e., the 60 qrs) which is laid out in constant capital has just as much value, that is, it contains just as much labour time, as any other $^1/_3$ of the product. If Mr. Mill desired to convert the constant capital of 60 qrs wholly into wages and profit, then this would not make the *slightest* difference as far as the quantity of labour time embodied in it is concerned. It would still be 30 working days as before, but now, since there would be no constant capital to replace, profit and surplus value would coincide. Thus, profit would amount to 100%, not to 50% as previously. Surplus value also amounted to 100% in the previous case, but the profit was only 50% precisely because constant capital entered into the calculation.

We have here, therefore, a doubly false manoeuvre on the part of Mr. Mill.

In the case of the first 180 qrs, the difficulty consisted in the fact that surplus value and profit did not coincide, because the 60 qrs surplus value had to be calculated not only on 60 qrs (that part of the total product which represented wages) but [VII-325] on 120 qrs, i.e., 60 qrs constant capital+60 qrs wages. Surplus value therefore amounted to 100%, and profit only to 50%. With regard to the 60 qrs which constituted constant capital, Mr. Mill disposes of this difficulty by assuming that, in this case, the whole product is divided between capitalist and worker, i.e., that no constant capital is required to produce the constant capital, that is, the 60 qrs consisting of SEED and tools. The circumstance which had to be explained in the case of capital I, *is assumed* to have disappeared in the case of capital II, and in this way the problem ceases to exist.

But secondly, after he has assumed that the value of the 60 qrs which constitute the constant capital of capital I contains only labour, but no *pre-existing labour*, no constant capital, that profit and surplus value therefore coincide, and consequently also the rate of profit and the rate of surplus value, that no difference exists between them, he then assumes, on the contrary, that just as in the case of capital I, *a difference between them does exist*, and that therefore the PROFIT is only 50% as in the case of capital I. If $^1/_3$ of the product of capital I had not consisted of constant capital, then profit would have been the same as surplus value; the whole product consisted of only 120 qrs=60 working days, 30 of which (=60 qrs) are appropriated by the workers and 30 (=60 qrs) by the capitalist. The rate of profit was the same as the rate of surplus value, 100%. It was 50% because the 60 qrs of surplus value were not calculated on 60 qrs (wages) but on 120 qrs (wages, SEED and fixed capital). In [the case of capital] II, he assumes that it contains no constant capital. He also assumes that wages remain the same in both cases—1 qr. But he nevertheless assumes that profit and surplus value are different, that profit amounts only to 50%, although surplus value amounts to 100%. In actual fact he assumes that the 60 qrs, $^1/_3$ of the total product, contain more labour time than another $^1/_3$ of the total product; he assumes that these 60 qrs are the product of 40 working days while the other 120 qrs were the product of only 60.

In actual fact, however, there PEEPS OUT THE OLD DELUSION OF PROFIT UPON ALIENATION, which has nothing whatever to do with the labour time contained in the product and likewise nothing to do with the Ricardian definition of value. For he [Mill] assumes that the wages a man receives for working for a day are equal to what he produces in a working day, i.e., that they contain as much labour time as he works. If 40 qrs are paid out in wages, and if the profit =20 qrs, then the 40 qrs embody 40 working days. The payment for the 40 working days=the product of the 40 working days. If 50% profit, or 20 qrs, is made on 60 qrs, it follows that 40 qrs=the product of the labour of 40 men, for, according to the assumption, 40 qrs constitute wages and 1 man receives 1 qr per day. But in that case where do the other 20 qrs come from? The 40 men work 40 working days because they receive 40 qrs. A quarter is therefore the product of 1 working day. The product of 40 working days is consequently 40 qrs, and not a BUSHEL more. Where, then, do the 20 qrs which make up the profit come from? The old DELUSION of profit UPON ALIENATION, of a merely nominal price increase on the product over and above its value, is behind all this. But here it is *quite absurd* and impossible, because the value is not represented in money but in a part of the product itself. Nothing is easier than to imagine that—if 40 qrs of grain are the product of 40 workers, each one of whom receives 1 qr per day or per year, they therefore receive *the whole of their product* as wages, and if 1 qr of grain in terms of money is £3, 40 qrs therefore=£120—the capitalist sells these 40 qrs for £180 and makes £60, i.e., 50% profit=20 qrs. But this notion is reduced *ad absurdum* if out of 40 qrs—which have been produced in 40 working days and for which he pays 40 qrs—the capitalist sells 60 qrs. He has in his possession only 40 qrs, but he *sells* 60, 20 more than he has to sell.

[VII-326] Thus first of all Mill proves the Ricardian law, that is, the false Ricardian law, which confuses surplus value and profit, by means of the following convenient assumptions:

1) he assumes that the capitalist who produces constant capital does not himself IN HIS TURN need constant capital, and thus he *assumes out of existence* the whole difficulty which is posed by constant capital;

2) he assumes that, although the capitalist does not [need] constant capital, the difference between surplus value and profit caused by constant capital nevertheless continues to exist although no constant capital exists:

3) he assumes that a capitalist who produces 40 qrs of wheat can sell 60, because his total product is sold as constant capital to another CAPITALIST, whose constant capital=60 qrs, and because capitalist No. II makes a profit of 50% on these 60 qrs.

This latter absurdity resolves itself into the notion of PROFIT UPON ALIENATION, which appears here so absurd only because the profit is supposed to stem not from the nominal value expressed in money, but from a part of the product which has been sold. Thus, Mr. Mill, in seeking to justify Ricardo, has abandoned his basic concept and fallen far behind Ricardo, Adam Smith and the Physiocrats.

His first justification of Ricardo's teachings therefore consists in his abandoning them *de prime abord*,[a] namely, abandoning the basic principle that profit is only a part of the value of the commodity, i.e., merely that part of the labour time embodied in the commodity which the capitalist sells in his product although he has *not paid* the worker for it. Mill makes the capitalist pay the worker for the whole of his working day and still derive a profit.

Let us see how he proceeds.

He does away with the need for seed and agricultural implements in the production of corn by means of an invention, that is, he does away with the need for constant capital in the case of the last capitalist in the same way as he abandoned SEED and fixed capital in the case of the producer of the first 60 qrs. Now he ought to have argued as follows:

Capitalist I does not now need to lay out 60 qrs in SEED and fixed capital, for we have stated that his constant capital=0. He therefore has to lay out only 60 qrs for the wages of 60 workers

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[a] From the outset.—*Ed.*

who work 60 working days. The product of these 60 working days=120 qrs. The workers receive only 60 qrs. The capitalist therefore makes 60 qrs profit, i.e., 100%. His rate of profit is exactly equal to the rate of surplus value, that is, it is exactly equal to that of the labour time the workers worked not for themselves, but for the capitalist. They worked 60 days. They produced 120 qrs, they received 60 qrs in wages. They thus received the product of 30 working days as wages, although they worked 60 days. The quantity of labour time which 2 qrs cost still= 1 working day. The working day for which the capitalist *pays* still=1 qr, i.e., it is equal to half the working day worked. The product has fallen by $^1/_3$, from 180 qrs to 120, but the profit has nevertheless risen by 50%, namely, from 50 to 100. Why? Of the total of 180 qrs, $^1/_3$ merely replaced outlays for constant capital, it did not therefore constitute either profit or wages. On the other hand, the 60 qrs, or the 30 working days during which the workers produced or worked for the capitalist, were *calculated* not on the 60 qrs spent on wages, that is, the 30 days during which they worked for themselves, but on the 120 qrs, i.e., the 60 working days, which were expended on wages, seed and fixed capital. Thus, although out of the total of 60 days they worked 30 days for themselves and 30 for the capitalist, and although a capital outlay of 60 qrs on wages yielded 120 quarters to the capitalist, his rate of profit was not 100%, but only 50%, because it was calculated *differently*, in the one case on 2×60 and in the other on 60. The surplus value [VII-327] was the same, but the rate of profit was different.

But how does Mill tackle the problem?

He does not assume that the capitalist with an outlay of 60 qrs obtains 120 (30 out of 60 working days), but that he now employs 100 men who produce 180 qrs for him, always on the supposition that the wage for 1 working day=1 qr. The calculation is therefore as follows:

Capital expended (only variable, only on wages)	Total product	Profit
100 qrs (wages for 100 working days)	180 qrs	80 qrs

This means that the capitalist makes a profit of 80%. Profit is here equal to surplus value. Therefore the rate of surplus value is likewise only 80%. Previously it was 100%, i.e., 20% higher. Thus we have the phenomenon that the rate of profit has risen by 30% while the rate of surplus value has fallen by 20%.

If the capitalist had only expended 60 qrs on wages as he did previously, we would have the following calculation:

100	qrs	yield	80	qrs	surplus value
10	"	"	8	"	" "
60	"	"	48	"	" "

But 60 qrs previously yielded 60 qrs (that means it has fallen by 20%). Or to put it another way, previously:

	Total product	Surplus value
60 qrs	120 qrs	60 qrs
10	20	10
100	200	100

Thus the surplus value has fallen by 20%, from 100 to 80 (we must take 100 qrs as the basis of the calculation in both [cases]).

(60:48=100:80; 60:48=10:8; 60:48=5:4; $4\times60=240$ and $48\times5=240$.)

Further, let us consider the labour time or the value of a qr. Previously, 2 qrs=1 working day, or 1 qr=$^1/_2$ working day, or $^9/_{18}$ of a man's labour. As against this, 180 qrs are now the product of 100 working days, 1 qr is therefore the product of $^{100}/_{180}$ or $^{10}/_{18}$ of a working day. That is, the product has become dearer by $^1/_{18}$ of a working day, or the labour has become less productive, since previously a man required $^9/_{18}$ of a working day to produce 1 qr, whereas now he requires $^{10}/_{18}$ of a working day. The rate of profit has risen although the surplus value has fallen and, CONSEQUENTLY, the productivity of labour has fallen or the real value, the COST OF PRODUCTION, OF WAGES has risen by $^1/_{18}$ or by $11\,^1/_9$%. 180 qrs were previously the product of 90 working days (1 qr, $^{90}/_{180}$,=$^1/_2$ working day=$^9/_{18}$ of a working day). Now they are the product of 100 working days (1 qr=$^{100}/_{180}$=$^{10}/_{18}$ of a working day). Let us assume that the working day lasts 12 hours, i.e., 60×12 or 720 minutes. [VII-328] One-eighteenth part of a working day=$^{720}/_{18}$, therefore=40 minutes. In the first case, the worker gives the capitalist $^9/_{18}$ or half of these 720 minutes=360 minutes. 60 workers will therefore give him 360×60 minutes. In the 2nd case, the worker gives the capitalist only $^8/_{18}$, that is, 320 minutes out of the 720. But the first capitalist employs 60 men and therefore obtains 360×60 minutes. The second employs 100 men and therefore obtains 100×320=32,000 minutes. The first gets 360×60, 21,600 minutes. Thus the second capitalist makes a larger profit than the first because 100 workers at 320 minutes a day amounts to more than 60 [workers] at 360 minutes. His profit is bigger only because he employs 40 more men, but he obtains relatively less from each worker. He has a higher profit, although the rate of surplus value has declined, that is, the productivity of labour has declined, the production costs of REAL WAGES have therefore risen, in other words, the quantity of labour embodied in them has risen. *But Mr. Mill wanted to prove the exact opposite.*[24] Assuming that capitalist No. I, who has not "discovered" how to produce corn without seed or fixed capital, likewise uses 100 working days (like capitalist No. II), whereas he only uses 90 days in the above calculation. He must therefore use 10 more working days, $3\,^1/_3$ of which are accounted for by his constant capital (seed and fixed capital) and $3\,^1/_3$ by wages. The product of these 10 working days on the basis of the old level of production=20 qrs, $6\,^2/_3$ qrs of which, however, would replace constant capital, while $12\,^4/_3$ would be the product of $6\,^2/_3$ working days. Of this, wages would take $6\,^2/_3$ and surplus value $6\,^2/_3$.

We would thus arrive at the following calculation:

Constant capital qrs	Wages qrs	Total product qrs	Surplus value
$66\,^2/_3$ (=$33\,^1/_3$ working days)	$66\,^2/_3$ (wages for *$66\,^2/_3$ working days*)	200 (100 working days)	$66\,^2/_3$ (=$33\,^1/_3$ working days) Surplus value=100%

He makes a profit of $33\,^1/_3$ working days on the total product of 100 working days. Or $66\,^2/_3$ qrs on 200. Or, if we calculate the capital he lays out in qrs, he makes a profit of $66\,^2/_3$ on $133\,^1/_3$ qrs (the product of $66\,^2/_3$ working days), whereas capitalist II makes a profit of 80 qrs on an outlay of 100. Thus the profit of II is greater than that of I. Since I produces 200 qrs in the same labour time that it takes the other to produce 180; 1 qr of I=$^1/_2$ working day and 1 qr of II=$^{10}/_{18}$ or $^5/_9$ of a working day, that is, it contains $^1/_2$ of the ninth part or $^1/_{18}$ more labour time and would consequently be dearer, and I would drive II out of business. The latter would have to give up his discovery and accommodate himself to using seed and fixed capital in corn production, as before.

The profit of I amounted to 60 qrs on 120, or to 50% (the same as $66\,^2/_3$ qrs on $133\,^1/_3$).

The profit of II amounted to 80 qrs on 100, or to 80%.

The profit of II compared to that of I=80:50=8:5=1:$^5/_8$.

As against this, the surplus value of II compared to that of I=80:100=8:10=1:$^{10}/_8$=1:1 $^2/_8$=1:1 $^1/_4$.

The rate of profit[a] of II is 30% higher than that of I.
The surplus value of II is 20% smaller than that of I.
II employs $66\,^2/_3$% more working days, while I appropriates only $^1/_{18}$, or $11\,^1/_9$%, more labour in a single day.

[VII-329] Mr. Mill has therefore proved that capitalist I—who uses a total of 90 working days, $^1/_3$ of which [is embodied] in constant capital (seed, machinery, etc.), and employs 60 workers whom, however, he pays only [the product of] 30 days—produces one quarter of corn in $^1/_2$ a day or in $^9/_{18}$ of a day; so that in 90 working days he produces 180 qrs, 60 qrs of which represent the 30 working days contained in the constant capital, 60 qrs the wages for 60 working days or the product of 30 working days, and 60 qrs the surplus value (or the product of 30 working days). The surplus value of this capitalist I=100%, his profit=50%, for the 60 qrs of surplus value are not calculated on the 60 qrs, the part of the capital laid out in wages, but on 120 qrs, i.e., capital twice as large (=variable capital+constant capital).

He has proved further that capitalist II, who uses 100 working days and lays out nothing in constant capital (by virtue of his discovery), produces 180 qrs, 1 qr therefore=$^{10}/_{18}$ of a day, or $^1/_{18}$ of a day (40 minutes) dearer than that of I. His labour is $^1/_{18}$ less productive. Since the worker receives a daily wage of 1 qr, as he did previously, his wages have risen by $^1/_{18}$ in REAL VALUE, that is, in the labour time required for their production. Although the production cost OF WAGES has now risen by $^1/_{18}$ and his total product is smaller in relation to labour time, and the surplus value produced by him amounts only to 80%, whereas that of I was 100%, his rate of profit is 80%, while that of the first was 50. Why? Because, although the COST OF WAGES has risen for II, he employs more workers, and because the rate of surplus value=the rate of profit in the case of II, since his surplus value is calculated only on the capital laid out in wages, the constant capital amounting to zero. But Mill wanted on the contrary to prove that the rise in the rate of profit was due to a *reduction in the production cost of wages* according to the Ricardian law. We have seen that this rise took place *despite the increase in the production cost of wages*, that, consequently, the Ricardian law is false if profit and surplus value are *directly* identified with one another, and the rate of profit is understood as the ratio of surplus value or gross profit (which=the surplus value) to the total value of the capital advanced.

[a] In the manuscript "profit" is changed in Marx's hand to "rate of profit".—*Ed.*

Mr. Mill continues:

"A RETURN of 180 qrs could not before be obtained but by an outlay of 120 qrs; *it can now be obtained by an outlay of not more than* 100."[a]

Mr. Mill forgets that in the first case, the outlay of 120 qrs=an outlay of 60 working days. And that in the 2nd case, the outlay of 100 qrs=an outlay of $55^5/_9$ working days (that is, 1 qr=$^9/_{18}$ of a working day in the first case and $^{10}/_{18}$ in the 2nd).

"The produce (180 qrs) is still the result of the [same] quantity of labour as before, the labour of 100 MEN."[a]

Pardon me! The 180 qrs were previously the result of 90 working days. Now they are the result of 100.

"A quarter of corn, therefore, is still the produce of $^{10}/_{18}$ of a man's labour."[a]

(Pardon me! It was previously the produce of $^9/_{18}$ of a man's labour.)

"For *a quarter of corn*, which is the *REMUNERATION* of a single labourer, *is indeed the produce of the same labour* as before."[a]

(Pardon me! Firstly, now 1 qr of corn is "indeed the produce" of $^{10}/_{18}$ of a working day, whereas previously it was the produce of $^9/_{18}$; it therefore costs $^1/_{18}$ of a day more labour; and secondly, whether the qr costs $^9/_{18}$ or $^{10}/_{18}$ of his working day, the *REMUNERATION* of an individual worker should never be confused with the *product of his labour*; since it is always only a part of that product.)

"It is now the produce of $^{10}/_{18}$ of a man's labour, and *nothing else*" (this is correct); "whereas formerly it required for its production the CONJUNCTION of that quantity of labour+AN EXPENDITURE, in the form of REIMBURSEMENT OF PROFIT, AMOUNTING TO $^1/_5$ more."[a]

Stop! First of all [VII-330] it is wrong, as has been emphasised repeatedly, to say that 1 qr previously cost $^{10}/_{18}$ of a working day. It only cost $^9/_{18}$. It would be even more wrong (if a gradation in absolute falsehood were possible) if there were added to these $^9/_{18}$ of a working day "the conjunction of REIMBURSEMENT OF PROFIT, AMOUNTING TO $^1/_5$ MORE". In 90 working days (taking constant and variable capital together) 180 qrs are produced. 180 qrs=90 working days. 1 qr=$^{90}/_{180}$=$^1/_2$ working day=$^9/_{18}$. Consequently, no "conjunction" whatsoever is added to these $^9/_{18}$ of a working day, or to $^1/_2$ working day which 1 qr cost in CASE No. I. We here discover the real DELUSION which is the centre around which the whole of this nonsense revolves. Mill first of all made A

[a] See this volume, pp. 40-41.— *Ed.*

FOOL OF HIMSELF BY SUPPOSING THAT, IF 120 qrs are THE PRODUCE OF 60 DAYS OF LABOUR, THE PRODUCE OF WHICH WAS DIVIDED TO EQUAL PARTS BETWEEN THE 60 LABOURERS AND THE CAPITALISTS, THE 60 qrs WHICH REPRESENT THE CONSTANT CAPITAL COULD BE THE PRODUCE OF 40 DAYS OF LABOUR. THEY COULD ONLY BE THE PRODUCE OF 30 DAYS, IN WHATEVER PROPORTION THE CAPITALIST AND THE LABOURERS PRODUCING THOSE 60 qrs MIGHT HAPPEN TO SHARE IN THEM.

Mais, passons outre.[a] In order to make the DELUSION quite clear, let us assume that not $^{1}/_{3}$, i.e., 20 qrs of the 60 qrs of constant capital, would be resolved into profit, but THE WHOLE AMOUNT OF THE 60 qrs. We can make this assumption all the more readily since it is not in our interest, but in Mill's, and simplifies the problem. Moreover it is easier to believe that the CAPITALIST who produces 60 qrs of constant capital, *discovers* that 30 workers, who produce 60 qrs or an equivalent value in 30 days, can be made to work for *nothing*, without being paid any wages at all (as happens in the case of *corvée*), than to believe in the ability of Mill's capitalist to produce 180 qrs of corn without seed or fixed capital, simply by means of a "discovery". Let us therefore assume that the 60 qrs contain only the profit of capitalist II, the producer of constant capital for capitalist I, since capitalist II has the product of 30 working days to sell without having paid a single FARTHING to the 30 workers, each of whom worked one day. Would it then be correct to say that these 60 qrs, which can be entirely resolved into profit, enter into the *production costs of wages* on the part of capitalist I, in "CONJUNCTION" with the labour time worked by these workers?

Of course, the capitalist and the workers in case I could not produce 120 qrs or even one single quarter without the 60 qrs which form their constant capital and can be resolved into profit alone. These are conditions of production necessary for them, and conditions of production, moreover, which have to be paid for. Thus the 60 qrs were necessary to produce 180. 60 of these 180 qrs replace the 60. Their 120 qrs—the product of their 60 working days—are not affected by this. If they had been able to produce the 120 qrs without the 60, then *their* product, the product of the 60 working days, would have been the same, but the total product would have been smaller, precisely because the 60 pre-existing working days would not have been reproduced. The capitalist's rate of profit would have been greater because his production costs would not have included the expenditure on, or the cost of, the conditions of production enabling him to make a

[a] But let us proceed.—*Ed.*

surplus value of 60 qrs. The absolute amount of profit would have been the same=60 qrs. These 60 qrs, however, would have required an outlay of only 60 qrs. Now they require an outlay of 120. This outlay on constant capital therefore enters into the production costs of the capitalist, but not into the production costs of wages.

Let us assume that capitalist III, also without paying his workers, can produce 60 qrs in 15 working days by means of some "discovery", partly because he uses better machines, and so on. This capitalist III would drive capitalist II out of the market and secure the custom of capitalist I. The capitalist's outlay would now have fallen [VII-331] from 60 to 45 working days. The workers would still require 60 working days to transform the 60 qrs into 180. And they would need 30 working days in order to produce their wages. For them 1 qr=$^1/_2$ working day. But the 180 qrs would only cost the capitalist an outlay of 45 working days instead of 60. Since however it would be absurd to suggest that corn under the name of seed costs less labour time than it does under the name of corn pure and simple, we would have to assume that in the case of the first 60 qrs, seed corn costs just as much as it did previously, but that less seed is necessary, or that the fixed capital which forms part of the value of the 60 qrs has become cheaper.

Let us write down first of all the results so far obtained from the analysis of Mill's "illustration".

First, it has emerged that:

Supposing that the 120 qrs were produced without any constant capital and were the product of 60 working days as they were previously, whereas formerly, the 180 qrs, 60 qrs of which were constant capital, were the product of 90 working days. In this case, the capital of 60 qrs laid out in wages=30 working days but commanding 60 working days, would produce the same product as formerly, namely, 120 qrs. The value of the product would likewise remain unchanged, that is, 1 qr would=$^1/_2$ working day. Previously the product was=to 180 qrs instead of 120 as at present; but the 60 additional qrs represented only the labour time embodied in the constant capital. The production cost of WAGES has thus remained unchanged, and the WAGES themselves—in terms of both use value and exchange value—have also remained unchanged—1 qr being equal to $^1/_2$ working day. Surplus value would similarly remain unchanged, namely, 60 qrs for 60 qrs, or $^1/_2$ working day for $^1/_2$ working day. The rate of surplus value in both cases=100%. Nevertheless the rate of profit was only 50% in the first case, while it is now 100%. Simply because 60:60=100%, while 60:120=50%. The increase in the rate of profit, in this case, is not [due] to any change in the production cost of WAGES, but merely to the fact that constant capital has been assumed to be zero. The position is approximately similar when the value of constant capital diminishes, and with it the total value of the capital advanced; that is, the proportion of surplus value to capital increases, and this proportion *is* the rate of profit.

As rate of profit surplus value is not only calculated on that part of capital which really increases and creates surplus value, namely, the part laid out in wages, but also on the value of the raw materials and machinery whose value only reappears in the product. It is calculated moreover on the value of the whole of the machinery, not only on the part which really enters into the valorisation process, i.e., the part whose wear and tear has to be replaced, but also on that part which enters only into the labour process.

Secondly, in the second example it was assumed that capital I yields 180 qrs,=90 working days, so that 60 qrs (30 working days)=constant capital; 60 qrs=variable capital (representing 60 working days, for 30 of which the workers are paid); thus wages=60 qrs (30 working days) and surplus value=60 qrs (30 working days); on the other hand, capital II also yields 180 qrs, but these equal 100 working days, so that 100 qrs of the 180==wages, and 80 surplus value. In this case, the whole of the capital advanced is laid out in wages. Here constant capital=0; the real value of wages has risen although the use value the workers receive has remained the same—1 qr; but 1 qr is now=to $^{10}/_{18}$ of a working day whereas previously it was only=to $^{9}/_{18}$. The surplus value has declined from 100% to 80%, that is, by $^{1}/_{5}$=20%. The rate of profit has increased from 50% to 80%, that is, by $^{3}/_{5}$=60%. In this case, therefore, the real production cost of WAGES has not simply remained unchanged, but has risen. Labour has become less productive and consequently the surplus labour has diminished. And yet the rate of profit has risen. Why? *Firstly*, because in this case there is no constant capital and the rate of profit consequently=the rate of surplus value. In all cases where capital is not exclusively laid out on wages—an almost impossible contingency in capitalist production—the rate of profit must be smaller than the rate of surplus value and it must be smaller in the same proportion as the total value of the capital advanced is greater than the value of the part of the capital laid out in wages. *Secondly*, [the rate of profit has risen because] II employs a considerably greater number of workers than I, thus more than counterbalancing the difference in the productivity of the labour they respectively employ.

Thirdly, from one point of view, the cases outlined under the headings *Firstly* and *Secondly* are a conclusive proof that variations in the rate of profit can take place quite independently of the production cost of WAGES. For under the heading *Firstly* it was demonstrated that the rate of profit can rise although the production costs of labour remain the same. Under *Secondly* it was demonstrated that the rate of profit for capital II compared with that for capital I rises although the productivity of labour declines, in other words, although the production costs of WAGES rise. This case therefore proves [VIII-332] that if, on the other hand, we compare capital I with capital II, the rate of profit falls although the surplus value rises, the productivity of labour increases and consequently the production costs of WAGES fall. They amount to only $^{9}/_{18}$ of a working day for I, whereas for II they amount to $^{10}/_{18}$ of a working day; but despite this, the rate of profit is 60% higher in II than in I. *In all these cases, not only are variations in the rates of profit not determined by variations in the production costs of* WAGES, *but they take place in the same proportions.* Here it must be noted that it does not follow from this that the movement of one is the *cause* of movement of the other (for example, that the rate of profit does not fall because the production costs of WAGES fall, or that it does not rise because the production costs of WAGES rise), but only that different circumstances paralyse the opposite movements. Nevertheless, the Ricardian law that variations in the rate of profit take place in the opposite direction to variations in wages, that one rises because the other falls, and vice versa, is false. This law applies only to the *rate of surplus value.* At the same time, there exists however a necessary connection (although not always) in the fact that the rate of profit and the value of wages rise and fall not in the opposite but in the same direction. More manual labour is employed where the labour is less productive. More constant capital is applied where the labour is more productive. Thus in this context the same circumstances which bring about an increase or a decline in the surplus value, must as a consequence bring about a decline in the rate of profit, and so on, in the opposite direction.[25]

But we shall now outline the case as Mill himself conceived it, although he did not formulate it correctly. This will at the same time clarify the real meaning of his TALK about the profits advanced by the capitalist.

Despite any kind of "discovery" and any possible "CONJUNCTION",[a] the example cannot be left in the form in which Mill puts it forward, because it contains absolute contradictions and absurdities and the various presuppositions he makes cancel one another out.

Of the 180 qrs, 60 qrs (SEED and fixed capital) are supposed to consist of 20 qrs for profit and 40 qrs for 40 working days, so that if the 20 qrs profit are omitted, the 40 working days still remain. According to this presupposition, the workers therefore receive the whole product for their labour, and consequently it is absolutely impossible to see where the 20 qrs profit and their value come from. If it is assumed that they are merely nominal *surcharge de prix*,[b] if they do not constitute labour time appropriated by the capitalist, their omission would be just as profitable as if 20 qrs wages for workers who had not done any work were included in the 60 qrs. Furthermore, the 60 qrs here simply express the value of the constant capital. They are however supposed to be the product of 40 working days. On the other hand, it is assumed that the remaining 120 qrs are the product of 60 working days. But here working days must be understood as equal average labour. The assumption is therefore absurd.

Thus one must assume, firstly, that in the 180 qrs only 90 working days are embodied and in the 60 qrs=the value of the constant capital, only 30 working days. The assumption that the profit=20 qrs or 10 working days can be omitted, is once again absurd. For it must then be assumed that the 30 workers employed in the production of constant capital, although not working for a capitalist, are nevertheless so obliging that they are content to pay themselves wages, $^1/_2$ their labour time, and not to reckon the other half in their commodity. In a word, that they sell their working day 50% below its value. Hence this assumption too is absurd.

But let us assume that capitalist I, instead of buying his constant capital from capitalist II and then working it up, combines both the production and the working up of constant capital in his own undertaking. He thus supplies seed, agricultural implements, etc., to himself. Let us likewise ignore the discovery which makes seed and fixed capital unnecessary. Supposing that he expends 20 qrs (=10 working days) on constant capital (for the production of his constant capital) and 10 qrs on wages for 10 working days, of

[a] See this volume, p. 41.—*Ed.*
[b] Additions to the price.—*Ed.*

which the workers work 5 days for nothing, the calculation would then be as follows:

[VIII-333]

Constant capital	Variable capital for 80 workers	Surplus value	Total product
20 qrs (10 working days)	60+20=80 qrs (wages for 80 working days) (=40 working days)	60+20=80 qrs (=40 working days)	180 qrs (=90 working days)

The actual production costs of wages have remained the same, and consequently the productivity of labour too. The total product has remained the same, = 180 qrs, and the value of the 180 qrs has also remained unchanged. The rate of surplus value has remained the same—80 qrs on 80 qrs. The total AMOUNT or quantity of surplus value has risen from 60 to 80 qrs, that is, by 20 qrs. The capital advanced has fallen from 120 to 100 qrs. Previously, 60 qrs were made on 120 qrs, or a rate of profit of 50%. Now 80 qrs are made on 100 qrs, or a rate of profit of 80%. The total value of the capital advanced has fallen from 120 qrs by 20 qrs and the rate of profit has risen from 50 to 80%. The profit itself, irrespective of its rate, now amounts to 80 qrs, whereas previously it was 60, that is, it has risen by 20 qrs, or as much as the amount (not the rate) of the surplus value.

Thus there has been no change here, no variation in the production costs of REAL WAGES. The rise in the rate of profit is due:

Firstly, to the fact that although the rate of surplus value has not risen, the total AMOUNT has increased from 60 qrs to 80, that is, by $^1/_3$; and it has risen by $^1/_3$, by 33 $^1/_3$%, because the capitalist now directly employs 80 workers and not 60 as previously, that is, he exploits $^1/_3$ or 33 $^1/_3$% more living labour; and obtains the same rate of surplus value from the 80 workers he now employs as previously when he employed only 60 workers.

Secondly. While the absolute magnitude of surplus value (that is, the GROSS PROFIT) has risen by 33 $^1/_3$%, from 60 qrs to 80 qrs, the rate of profit has risen from 50% to 80%, by 30, that is, by $^3/_5$ (since $^1/_5$ of 50=10, and $^3/_5$=30), i.e., by 60%. That is to say, the value of the capital laid out has fallen from 120 to 100, although the value of the part of capital laid out in wages has risen from 60 to 80 qrs (from 30 to 40 working days). This part of the capital has increased by 10 working days (=20 qrs). On the other hand, the constant portion of capital has decreased from 60 to 20 qrs (from 30 working days to 10), that is, by 20 working days. If we subtract the 10 working days by which the part of capital laid out in wages has increased, then the total capital expended decreases by 10 working days (=20 qrs). Previously, it amounted to 120 qrs (=60 working days). Now it amounts to only 100 qrs (=50 working days). It has therefore decreased by $^1/_6$, that is, by $16^2/_3$%.

Incidentally, this whole VARIATION in the rate of profit is only an illusion, only a TRANSFER from one account book to another. Capitalist I has 80 qrs profit instead of 60 qrs, that is, an additional profit of 20 qrs. This, however, is the exact amount of profit that the producer of constant capital made previously and which he has now lost because capitalist I, instead of buying his constant capital, now produces it himself, that is, instead of [VIII-334] paying that producer the surplus value of 20 qrs (10 working days) which the latter obtained from the 20 workers employed by him, capitalist I now keeps it for himself.

80 qrs profit is made on 180 qrs as previously, the only difference being that previously it was divided between 2 people. The rate of profit appears to be bigger, because previously capitalist I regarded the 60 qrs as constant capital only, which in fact they were for him; he therefore disregarded the profit accruing to the producer of constant capital. The rate of profit has not altered, any more than the surplus value or any condition of production, including the productivity of labour. Previously, the CAPITAL laid out by the producer=40 qrs (20 working days); that laid out by *capital I*=60 qrs (30 working days), making a total of 100 qrs (50 working days), and the profit of the first came to 20 qrs, that of the other to 60, together 80 qrs (40 working days). The whole product=90 working days (180 qrs) yielded 80 profit on 100 laid out in wages and constant capital. For society, the revenue deriving from the profit has remained the same as before; ditto the ratio of surplus value to wages.

The difference arises from the fact that, when the capitalist enters the commodity market as a buyer, he is simply a commodity owner. He has to pay the full value of a commodity, the whole of the labour time embodied in it, irrespective of the proportions in which the fruits of the labour time were divided or are divided between the capitalist and the worker. If, on the other hand, he enters the labour market as a buyer, he buys in actual fact more labour than he pays for. If, therefore, he produces his raw materials and machinery himself instead of buying them, he himself appropriates the surplus labour he would otherwise have had to pay out to the seller of the raw materials and machinery.

It certainly makes a difference to the individual capitalist although not to the rate of profit, whether he himself derives a profit or pays it out to someone else. (In calculating the reduction in the rate of profit as a result of the growth of constant capital, the social average is always taken as the basis, that is, the aggregate amount of constant capital employed by society at a particular moment and the proportion of this amount to the amount of capital laid out directly in wages.) But this point of view is seldom decisive and can seldom be decisive even for the individual capitalist in the case of such combinations as occur, for example, when the capitalist is at the same time engaged in spinning and weaving, making his own bricks, etc. What is decisive here is the real saving in production costs, through saving of time on transport, savings on buildings, on heating, on motive power, etc., greater control over the quality of the raw materials, etc. If he himself decided to manufacture the machines he required, he would then produce them on a small scale like a small producer who works to supply his own needs or the individual needs of a few customers, and the machines would cost him more than they would if he bought them from a machine manufacturer who produced them for the market. Or if he wished at the same time to spin and to weave and to make machines not only for himself, but also for the market, he would require a greater amount of capital, which he could probably invest to greater advantage (division of labour) in his own enterprise. This point of view can only apply when he provides for himself a market sufficient to enable him to produce his constant capital himself on an advantageous scale. His own demand must be large enough to achieve this. In this case, even if his work is less productive than that of the proper producers of constant capital, he appropriates a share of the surplus labour for which he would otherwise have to pay another capitalist.

It can be seen that this has nothing to do with the rate of profit. If—as in the example cited by Mill—90 working days and 80 workers were involved previously, then nothing is saved from the production costs by the fact that the surplus labour of 40 days (=80 qrs) contained in the product is now pocketed by one capitalist instead of by 2, as was the case previously. The 20 qrs profit (10 working days) simply disappears from one account book in order to appear again in another.

This saving on previous profit, if it does not coincide with a saving in labour time and thus with a saving in wages, is therefore a pure DELUSION.[a] [26]

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[a] See this volume, pp. 114, 282-88.—*Ed.*

[VIII-335] *Thirdly*, there remains, however, the case in which the value of constant capital decreases as a result of the increased productivity of labour, and it remains for us to investigate whether or not, and to what extent, this case is related to the REAL production cost OF WAGES OR [to the] VALUE OF LABOUR. The question is, therefore, to what extent a real change in the value of constant capital causes at the same time a variation in the ratio of profit to wages. The value of constant capital, its production costs, can remain constant, yet more or less of it can be embodied in the product. Even if its value is assumed to be constant, the constant capital will increase in the measure that the productivity of labour and production on a large scale develop. Variations in the *relative amount of constant capital employed while the production costs of the constant capital remain stable*—variations which all affect the rate of profit—are excluded *de prime abord*[a] from this investigation.

Furthermore, all branches of production whose products do not enter directly or indirectly into the consumption of the worker are likewise excluded. But variations in the real rate of profit (that is, the ratio of the surplus value really produced in these branches of industry to the capital expended) in these branches of industry affect the general rate of profit, which arises as a result of the levelling of profits, just as much as variations in the rate of profit in branches of industry whose products enter directly or indirectly into the consumption of the workers.

The question moreover must be reduced to the following: How can a change in the value of constant capital retrospectively affect the surplus value? For once surplus value is assumed as given, the ratio of surplus to necessary labour is given, and therefore also the value of wages, i.e., their production costs. In these circumstances, no change in the value of constant capital can have any effect on the value of wages, any more than on the ratio of surplus labour to necessary labour, although it must always affect the rate of profit, the production costs of the surplus value for the capitalist, and in certain circumstances, namely, when the product enters into the consumption of the worker, it affects the quantity of use values into which wages are resolved, although it does not affect the exchange value of wages.

Let us assume that wages are given, and that, for example, in a cotton factory the wage=10 working hours and SURPLUS VALUE=2 working hours. The price of raw cotton falls by half as a result of a good harvest. The same amount of cotton which previously cost

[a] From the outset.—*Ed.*

the manufacturer £100, now costs him only £50. The same amount of cotton requires just the same amount of spinning and weaving as it did before. With an expenditure of £50 for cotton, the capitalist can now acquire as much surplus labour as he did previously with an expenditure of £100, or, should he continue to spend £100 on cotton, he will now receive, for the same price as before, a quantity of cotton with which he will be able to acquire twice the amount of surplus labour. In both cases, the rate of surplus value, that is, the ratio of surplus value to wages, will be the same, but in the second case the AMOUNT of surplus value will rise, since twice as much labour will be employed at the same rate of surplus labour. The rate of profit will rise in both cases, although there has been no change in the production costs of wages. It will rise because, to obtain the rate of profit, the surplus value is calculated on the *production costs* of the capitalist, that is, on the *total value* of the capital he expends, and these have fallen. He now needs a smaller outlay in order to produce the same amount of surplus value. In the second case, not only the rate but also the AMOUNT of profit will rise, because surplus value itself has risen as a consequence of the increased employment of labour, without this increase resulting in an additional cost for raw material. Here again, increases in the rate and the AMOUNT of profit will take place without any kind of change in the value of labour.

Suppose on the other hand that cotton doubles in value as a result of a bad harvest so that the same amount of cotton [VIII-336] which formerly cost £100 now costs £200. In this case, the rate of profit will fall at all events, but in certain circumstances, the amount or ABSOLUTE MAGNITUDE OF PROFIT may fall as well. If the capitalist employs the same number of workers, who do the same amount of work as they did before, under exactly the same conditions as before, the rate of profit will fall, although the ratio of surplus labour to necessary labour, and therefore the rate and the yield of surplus value, will remain *the same*. The rate of profit falls because the production costs of surplus value have risen, i.e., the capitalist has to spend £100 more on raw material in order to appropriate the same amount of other people's labour time as before. However, if the capitalist is now forced to allocate a part of the money which he formerly spent on wages to buying cotton, e.g., to spend £150 on cotton, of which sum £50 formerly went on wages, then the rate and the AMOUNT of profit fall, the amount decreases because less labour is being employed, even though the rate of surplus value remains the same. The result would be the same if, owing to a bad harvest, there were not enough cotton available to absorb the same amount of living labour as formerly. In both cases, the AMOUNT and the rate of profit would fall, although the VALUE OF LABOUR would remain the same; in other words, the rate of surplus value or the quantity of unpaid labour which the capitalist receives in relation to the labour for which he pays wages, remains unchanged.

Thus, when the *rate of surplus value*, that is, when the *VALUE OF LABOUR*, remains unchanged, a change in the value of constant capital must produce a change in the rate of profit and may be accompanied by a change in the GROSS AMOUNT of profit.

On the other hand, as far as the worker is concerned:

If the value of cotton, and therefore the value of the product into which it enters, falls, he still receives wages=10 hours of labour. But he can now buy the cotton goods which he himself uses more cheaply, and can therefore spend part of the money he previously spent on cotton goods on other things. It is only in this proportion that the means of subsistence available to him increase in quantity, that is, in the proportion in which he saves money on the price of cotton goods. For apart from this, he now receives no more for a greater quantity of cotton goods than he did previously for a smaller quantity. Other goods have risen in the same proportion as cotton goods have fallen. In short, a greater quantity of cotton goods now has no more value than the smaller quantity had previously. *In this case, therefore, the value of wages would remain the same, but it would represent a greater quantity of other commodities* (use values). *Nevertheless, the rate of profit would rise although, given the same circumstances, the rate of surplus value could not rise.*

The opposite is the case when cotton becomes dearer. If the worker is employed for the same amount of time and still receives a wage=10 hours as he did previously, the value of his labour would remain the same, but its use value would fall in so far as the worker himself is a consumer of cotton goods. In this case, the *use value of wages would fall*, its *value*, however, would remain *unchanged*, although the rate of profit would also fall. Thus, whereas surplus value and (real) wages[27] always fall and rise in inverse ratio (with the exception of the case where the worker participates in the [yield of the] absolute lengthening of his working day; but when this happens, the worker uses up his labour capacity all the more quickly), it is possible for the rate of profit to rise or fall in the first case although the VALUE of wages remains the same and their use value increases, in the 2nd case although the VALUE *of wages* remains the same, while their use value falls.

Consequently, a rise in the rate of profit resulting from a fall in the *value* of constant capital, has no direct connection whatever with any kind of variation in the real value of wages (that is, in the labour time contained in the wages).

If we assume, as in the above case, that cotton falls in value by 50%, then nothing could be more incorrect than to say either that the production costs of WAGES have fallen or that, if the worker is paid in cotton goods and receives the same value as he did previously, that is, if he receives a greater *amount* of cotton goods than he did previously (since although 10 hours, for example, still=10s., I can buy more cotton goods for 10s. than I could before, because the value of raw cotton has fallen), the rate of profit would remain the same. The rate of surplus value remains the same, but the [VIII-337] rate of profit rises. The *production costs of the product* fall, because an element of the product—its raw material—now costs less labour time than previously. The production costs of wages remain the same as before, since the worker works the same amount of labour time *for himself* and the same *for the capitalist* as he did before. (The production costs of wages do not depend however on the labour time which the means of production used by the worker cost, but on the time he works in order to reproduce his wages. According to Mr. Mill, the production costs of a worker's wages would be greater if, for example, he worked up copper instead of iron, or flax instead of cotton; and they would be greater if he sowed flax seed rather than cotton seed, or if he worked with an expensive machine rather than with no machine at all, but simply with tools.) The *production costs of profit* would fall because the aggregate amount, the sum total of the capital advanced in order to produce the surplus value would fall. The cost of surplus value is never greater than the cost of the part of capital spent on wages. On the other hand, the cost of profit=the total cost of the capital advanced in order to create this surplus value. It is therefore determined not only by the value of the portion of capital which is spent on wages and which creates the surplus value, but also by the value of the elements of capital necessary to bring into action the one part of capital which is exchanged against living labour. Mr. Mill confuses the production costs of profit with the production costs of surplus value, that is, he confuses profit and surplus value.

This analysis shows the importance of the cheapness or dearness of raw materials for the industry which works them up (not to speak of the relative cheapening of machinery. By *relative* cheapening of machinery, I mean that the absolute value of the amount of machinery employed increases, but that it does not increase in the same proportion as the mass and EFFICIENCY of the machinery), even assuming that the market price=the value of the commodity, i.e., that the market price of the commodity falls in exactly the same ratio as do the raw materials embodied in it.

COLONEL Torrens is therefore correct when he says with regard to England:

"To a country in the condition of England, the importance of a foreign market must be measured, not by the quantity of finished goods which it receives, but by the quantity of the elements of reproduction which it returns" (R. Torrens, *A Letter to Sir Robert Peel etc. on the Condition of England etc.*, 2nd ed., London, 1849, p. 275).

//The way Torrens seeks to prove this, however, is bad. The usual talk about SUPPLY AND DEMAND. According to him it would appear that if, for example, English capital which manufactures COTTON goods grows more rapidly than capital WHICH GROWS COTTON, IN THE UNITED STATES FOR INSTANCE, then the price of cotton rises and then, he says:

"The value of cotton fabrics will decline in relation to the elementary cost of their production" [p. 240].

That is to say, while the price of the raw material is rising due to the growing demand from England, the price of COTTON FABRICS, raised by the rising price of the raw material, will fall; we can indeed observe at the present time (spring 1862), for instance, that cotton twist is scarcely more expensive than raw cotton and woven cotton hardly any dearer than yarn. Torrens, however, assumes that there is an adequate supply of COTTON, though at a rather high price, available for consumption by English industry. The price of COTTON rises above its value. Consequently, if COTTON FABRICS are sold at their value, this is only possible provided the COTTON-GROWER secures more SURPLUS VALUE from the total product than is his due, by actually taking part of the SURPLUS VALUE due to the COTTON MANUFACTURER. The latter cannot replace this portion by raising the price, because DEMAND would fall if prices rose. On the contrary, [the price of] his product may decline even more as a consequence of falling demand than it does as a consequence of the COTTON-GROWER'S SURCHARGE.

The demand for raw materials—raw cotton, for example—is regulated annually not only by the effective demand existing at a given moment, but by the average demand throughout the year, that is, not only by the demand from the mills that are working at the time, but by this demand increased by the number of mills which, experience shows, will start operating during the course of the coming year, that is, by the *relative increase in the number of mills taking place during the year*, or by the SURPLUS demand [VIII-338] corresponding to this relative increase.

Conversely, if the price of cotton, etc., should fall, e.g., as a result of an especially good harvest, then in most cases the price falls below its value, again through the law of demand and supply. The rate of profit—and possibly, as we saw above, the GROSS AMOUNT OF PROFIT—increases, consequently, not only in the proportion in which it would have increased had the price of the cotton which has become cheaper been=to its value; but it increases because the finished article has not become cheaper in the *total* proportion in which the COTTON-GROWER sold his raw cotton below its value, that is, because the manufacturer has pocketed part of the SURPLUS VALUE due to the COTTON-GROWER. This does not diminish the demand for his product, since its price falls in any case due to the decrease in the value of cotton. However, its price does not fall as much as the price of raw cotton falls below its own value.

In addition, demand increases at such times because the workers are fully employed and receive full wages, so that they themselves act as consumers on a significant scale, consumers of their own product. In cases in which the price of the raw material declines, not as a result of a permanent or continuous fall in its average production costs but because of either an especially good or an especially bad year (weather conditions), the workers' wages do not fall, the demand for labour, however, grows. The EFFECT produced by *this* demand is not merely proportionate to its growth. On the contrary, when the product suddenly becomes dearer, on the one hand many workers are dismissed, and on the other hand the manufacturer seeks to recoup his loss by reducing wages below their normal level. Thus the normal demand on the part of the workers declines, intensifying the now general decline in demand, and worsening the effect this has on the market price.//

It was mainly his (Ricardian) conception of the division of the product between worker and capitalist which led Mill to the idea that changes in the value of constant capital alter the value of labour or the production costs of labour; for example, that a fall in the value of the constant capital advanced results in a decline in the value of labour, in its production costs, and therefore also in wages. The value of yarn falls as a result of a decrease in the value of the raw material—raw cotton, for example. *Its* production costs decline; the amount of labour time embodied in it is reduced. If, for example, a pound of cotton twist were the product of one man working a 12-hour day, and if the value of the cotton contained in this twist fell, then the value of a lb. of twist would fall in the precise degree that the value of the cotton used for spinning fell. For example, 1 lb. of No. 40 MULE YARN 2ND QUALITY was 12d. (1s.) on MAY 22nd, 1861. It was 11d. on May 22nd, 1858 ($11^6/_8$d. in actual fact, since its price did not fall to the same extent as that of raw cotton). But in the first case a lb. of FAIR raw cotton cost 8d. ($8^1/_8$d. in actual fact) and 7d. ($7^3/_8$d. in actual fact) in the 2nd. In these cases, the value of the yarn fell in exactly the same degree as the value of raw cotton, its raw material. Consequently, says Mill, the amount of labour remains the same as it was previously; if it was 12 hours, the product is the result of the same 12 hours of labour. But there was 1d. less worth of the pre-existing labour in the second case than in the first. The labour is the same, but the production costs of labour have been reduced (by 1d.).

Now although one lb. of cotton twist as twist, as a use value, remains the product of 12 hours' labour as it was previously, the *value* of the lb. of twist is neither now, nor was it previously, the product of 12 hours' work by the spinner. The value of the raw cotton, which in the first case amounted to $^2/_3$ of 12d.=8d., was not the product of the spinner; in the 2nd case, $^2/_3$ of 11d., that is, 7d., was not his product. In the first case the remaining 4d. is the product of 12 hours' labour and just the same amount—4d.—is the product in the second. In both cases, his labour adds only $^1/_3$ to the value of the twist. Thus, in the first case, only $^1/_3$ lb. of twist out of 1 lb. of twist was the product of the spinner (disregarding machinery) and it was the same in the 2nd case. The worker and the capitalist have only 4d.=$^1/_3$ lb. of twist to divide between them, the same as previously. If the worker buys cotton twist with the 4d., he will receive a greater quantity of it in the second case than in the first, now however a bigger quantity of twist is worth the same as a smaller quantity of twist was previously. But the division of the 4d. between worker and capitalist remains the same. If the time worked by the worker to reproduce or produce his wages=10 hours, his surplus labour=2 hours, as it did previously. He receives $^5/_6$ of 4d. or of $^1/_3$ lb. of cotton twist—as he did previously—and the capitalist receives $^1/_6$. Therefore no [VIII-339] CHANGE has taken place in respect of the division of the product, of the cotton twist. None the less, the rate of profit has risen, because the value of the raw material has fallen and, consequently, the ratio of surplus value to the total capital advanced, or to the production costs of the capitalist, [has increased].

If, for the sake of simplification, we abstract from the machines, etc., then the two CASES stand as follows:

	Price of 1 lb. of twist	Constant capital	Labour added	Wages	Total expenditure of the capitalist	Surplus gain	Rate of profit
1st CASE	12d.	8d.	4d.	$13^1/_3$ farthings	11d. $^4/_3$ farthings	$2^2/_3$ farthings	$5^{15}/_{17}\%$
2nd CASE	11d.	7d.	4d.	$13^1/_3$ farthings	10d. $^4/_3$ farthings	$2^2/_3$ farthings	$6^{14}/_{31}\%$

Thus the rate of profit here has risen although the *value* of labour has remained the same and the use value of the labour as expressed in cotton twist has risen. The rate of profit has risen without any kind of variation in the labour time which the worker appropriates for himself, *solely* because the value of the cotton, and consequently the total value of the production costs of the capitalist, has fallen. $2^2/_3$ farthings on 11d.$^4/_3$ farthings expenditure is naturally less than $2^2/_3$ farthings on 10d. $^4/_3$ farthings expenditure.

In the light of what has been said above, the fallaciousness of the following passages with which Mill concludes his illustration becomes clear.[a]

"If the cost of production OF WAGES had remained the same as before, profits could not have fallen (*risen?*). Each labourer received one qr of corn; but 1 qr of corn at that time was the result of the same cost of production, as $1^1/_5$ qr NOW. IN ORDER, therefore, that each labourer should receive the same cost of production, each must receive 1 qr of corn$+^1/_5$" (l.c., p. 103).

"Assuming, therefore, that the labourer is paid in the very article he produces, it is EVIDENT that, when any SAVING OF EXPENSE takes place in the production of that article, if the labourer still receives the same COST OF PRODUCTION as before, he must receive an INCREASED QUANTITY, in the very same RATIO in which the PRODUCTIVE POWER of capital has been increased. But, if so, the outlay of the capitalist will bear exactly the same proportion to the RETURN as it did before; and PROFITS will not rise..." (this is wrong). "...The VARIATIONS, therefore, in the RATE OF PROFITS, and those in the COST OF PRODUCTION OF WAGES, go hand in hand, and are inseparable. Mr. Ricardo's principle is strictly true, if by LOW WAGES be meant not merely WAGES which are the produce of a smaller quantity of labour, but WAGES which are produced at less cost, reckoning LABOUR and PREVIOUS PROFITS TOGETHER" (l.c., p. 104).

[a] See this volume, pp. 40-41.—*Ed.*

Thus according to Mill's illustration, Ricardo's view is strictly true if LOW WAGES (or the production cost of WAGES in general) are taken to mean not only the opposite of what he said they mean, but if they are taken to mean absolute nonsense, namely, that the production costs of WAGES are taken to mean not that portion of the working day which the worker works to replace his wages, but also the production costs of the raw material he works up and the machinery he uses, that is, labour time which he has *not* expended at all—neither for himself nor for the capitalist.

Fourthly. Now comes the real question: How far can a change in the value of constant capital affect the surplus value?

If we say that the value of the average daily wage is equal to 10 hours or, what amounts to the same thing, that from the whole working day of, let us say, 12 hours which the worker labours, 10 hours are required in order to produce and replace his wages, and that only the time he works over and above this is unpaid labour time in which he produces values which the capitalist [VIII-340] receives without having paid for them; this means nothing more than that 10 hours of labour time are embodied in the total quantity of means of subsistence which the worker consumes. These 10 hours of labour are expressed in a certain sum of money with which he buys the means of subsistence.

The value of commodities however is determined by the labour time embodied in them, irrespective of whether this labour time is embodied in the raw material, the machinery used up, or the labour newly added by the worker to the raw material by means of the machinery. Thus, if there were to be a constant (not temporary) change in the value of the raw material or of the machinery which enter into this commodity—a change brought about by a change in the productivity of labour which produces this raw material and this machinery, in short, the constant capital embodied in this commodity—and if, as a result of this change, more or less labour time were required in order to produce this part of the commodity, the commodity itself would consequently be dearer or cheaper (provided both the productivity of the labour which transforms the raw material into the product and the length of the working day remained unchanged). This would lead either to a rise or to a fall in the production costs, i.e., the value, of labour capacity; in other words, if previously out of the 12 hours the worker worked 10 hours for himself, he must now work 11 hours, or, in the opposite case, only 9 hours for himself. In the first case, his labour for the capitalist, i.e., the surplus value, would have declined by half, from 2 hours to 1; in the second case it would have risen by half, from 2 hours to 3. In this latter case, the rate of profit and the GROSS profit of the capitalist would rise, the former because the value of constant capital would have fallen, and both because the rate of surplus value (and its AMOUNT in absolute figures) would have increased.

This is the only way in which a change in the value of constant capital can affect the VALUE OF LABOUR, the production cost of wages, or the division of the working day between capitalist and worker, hence also the surplus value.

However, this simply means that for the capitalist who, for example, spins cotton, the necessary labour time of his own workers is determined not only by the productivity of labour in the spinning industry, but ditto by that in the production of cotton, of machinery, etc., just as it is also determined by the productivity in all branches of industry whose products—although they do not enter as constant capital, that is, either as raw material or as machinery, etc., into his product (a product which, it is assumed, enters into the consumption of the worker), into the yarn—constitute a part of the circulating capital which is expended in wages, that is, by the productivity in the industries producing food, etc. What appears as the product in one industry appears as material of labour or means of labour in another; the constant capital of one industry thus consists of the products of another industry; in the latter it does not constitute constant capital, but is the result of the production process within this branch. To the individual capitalist it makes a great deal of difference whether the increased productivity of labour (and therefore also the fall in the value of labour capacity) takes place within his own branch of industry or amongst those which supply his industry with constant capital. For the capitalist class, for capital as a whole, it is all the same.

Thus this CASE //in which a fall (or a rise) in the value of constant capital is not due to the fact that the industry employing this constant capital produces on a large scale, but to the fact that the production costs of constant capital itself have changed// concurs with the laws elaborated for surplus value.[28]

When in general we speak about profit or rate of profit, then *surplus value* is supposed to be *given*. The influences therefore which determine surplus value *have* all operated. This is the presupposition.

Fifthly. In addition, one could have set forth how the ratio of constant capital to variable capital and *hence* the rate of profit is altered by a particular form of SURPLUS VALUE. Namely, by the lengthening of the working day beyond its normal limits. [VIII-341] This results in the diminution of the relative value of the constant capital or of the proportionate part of value which it constitutes in the total value of the product. But we will leave this till Chapter III[29] where the greater part of what has been dealt with here really belongs.

Mr. Mill, basing himself on his brilliant illustration, advances the general (Ricardian) proposition:

*"The *only* expression of the law of profits ... is, that they depend upon the cost of production of wages"* (l.c., pp. 104-05).

On the contrary, one should say: The rate of profit //and this is what Mr. Mill is talking about// depends *exclusively* on the COST OF PRODUCTION OF WAGES only in one *single* case. And this is when the rate of surplus value and the rate of profit are *identical*. But this can only occur if the whole of the capital advanced is laid out directly in wages, so that no constant capital, be it raw material, machinery, factory buildings, etc., enters into the product, or that the raw material, etc., in so far as it does enter, is not the product of labour and costs nothing—a case which is virtually impossible in capitalist production. *Only* in this case are the variations in the rate of profit identical with the variations in the rate of surplus value, or, what amounts to the same thing, with the variations in the production costs of WAGES.

In general however (and this also includes the exceptional case mentioned above) the rate of profit is equal to the ratio of surplus value to the total value of the capital advanced.

If we call the surplus value S, and the value of the capital advanced C, then profit$=S:C$ or $\frac{S}{C}$. This ratio is determined not only by the size of S //and all the factors which determine the production cost of WAGES enter into the determination of S// but also by the size of C. But C, the total value of the capital advanced, consists of the constant capital, c, and the variable capital, v (laid out in wages). The rate of profit therefore$=S:(v+c)=S:C$. But S itself, the surplus value, is determined not only by its own rate, i.e., by the ratio of surplus labour to necessary labour, in other words, by the division of the working day between capital and labour, that is, its division into paid and unpaid labour time. The quantity of surplus value, i.e., the total amount of surplus value, is likewise determined by the number of working days which capital exploits simultaneously. And, for a particular capital, the amount of labour time employed at a definite rate of unpaid labour depends on the time in which the product remains in the actual *production process* without labour being applied or without the same amount of labour as was required formerly (for example, wine before it has matured, corn once it has been sown, skins and other materials which are subjected to chemical treatment for a certain period, etc.), as well as on the length of time involved in the circulation of the commodity, the length of time required for the metamorphosis of the commodity, that is, the interval between its completion as a product and its reproduction as a commodity. How many days can be worked simultaneously //if the VALUE OF WAGES, and therefore the rate of surplus value, is given// depends in general on the *amount of capital* expended on wages. But on the whole, the factors mentioned above modify the total amount of living labour time which a capital of a given size can employ during a definite *period*—during a year, for example. These circumstances determine the absolute amount of labour time which a given capital can employ. This does not, however, alter the fact that surplus value is determined exclusively by its own rate multiplied by the number of days worked simultaneously. These circumstances only determine the operation of the last factor, the amount of labour time employed.

The rate of surplus value is equal to the ratio of surplus labour in *one* working day, that is, it is equal to the surplus value yielded by a single working day. For example, if the working day=12 hours and the surplus labour=2 hours, then these 2 hours=$^1/_6$ of 12 hours; but we must calculate them on the necessary labour (or on the wages paid for it; they represent *the same* quantity of labour time in objectified form)=$^1/_5$. $^1/_5$ of 10 hours=2 hours ($^1/_5$=20%). In this case the amount of surplus value (yielded in a single day) is determined entirely by the rate. If the capitalist operates on the scale of 100 such [VIII-342] days, then the surplus value (its total amount)=200 working hours. The rate has remained the same—200 hours for 1,000 hours of necessary labour,=$^1/_5$=20%. If the rate of surplus value is given, its amount depends entirely on the number of workers employed, that is, on the total amount of capital expended on wages, variable capital. If the number of workers employed is given, i.e., the *amount* of capital laid out in wages, the variable capital, then the amount of surplus value depends entirely on its rate, i.e., on the ratio of surplus labour to necessary labour, on the production costs of WAGES, on the division of the working day between capitalist and worker. If 100 workers (working 12 hours a day) provide me with 200 working hours, then the total amount of surplus value=200, the rate=$^1/_5$ of a working day, or 2 hours. And the surplus value=2 hours×100. If 50 workers provide me with 200 working hours, then the total amount of the surplus value is 200 hours; the rate=$^2/_5$ of a (paid) working day,=4 hours. And the surplus value=4 hours×50=200. Since the total amount of surplus value=the product of its rate and the number of working days, it can remain the same although the factors change in an inverse ratio.

The rate of surplus value is always expressed in the ratio of surplus value to variable capital. For variable capital is=to the total amount of the paid labour time; surplus value is equal to the total amount of unpaid labour time. Thus the ratio of surplus value to variable capital always expresses the ratio of the unpaid part of the working day to the paid part. For example, in the case mentioned previously, let the wage for 10 hours=1 thaler, where 1 thaler represents a quantity of silver which contains 10 hours of labour. 100 working days are consequently paid for with 100 thaler. Now if the surplus value=20 thaler, the rate is $^{20}/_{100}$=$^1/_5$=20%. Or what amounts to the same thing, the capitalist receives 2 hours for every 10 working hours (=1 thaler); for 100×10 working hours, that is, 1,000 hours, he receives 200 hours=20 thaler.

Thus, although the rate of surplus value is determined exclusively by the ratio of surplus labour time to necessary time, in other words, by the corresponding part of the working day which the worker requires to produce his wages, by the production costs of wages, the amount of surplus value is moreover determined by the number of working days, by the total quantity of labour time which is employed at this definite rate of surplus value, that is, by the total amount of capital expended on wages (if the rate of surplus value is given). But since profit is the ratio, not of the rate of surplus value, but of the total amount of surplus value to the total value of the capital advanced, then clearly its rate is determined not only by the rate, but also by the total amount of surplus value, an amount which depends on the compound ratio of the rate and the number of working days, on the amount of capital expended on wages and the production costs of wages.

If the rate of surplus value is given, then its amount depends exclusively on the amount of capital advanced (laid out in wages). Now the average wage is the same, i.e. it is assumed that workers in all branches of industry receive a wage of 10 hours, for example. (In those branches of industry where wages are higher than the average, this, from our point of view and for the matter under consideration, would amount to the capitalist employing a *greater number* of unskilled workers.) Thus, if it is assumed that the surplus labour is equal, and this means that the entire normal working day is equal (the inequalities cancel one another out in part since 1 hour of skilled labour, for example,=2 hours of unskilled labour), [VIII-343] then the amount of the surplus value depends entirely on the amount of capital expended. It can therefore be said that the amounts of surplus value are proportional to the amounts of capital laid out (in wages). This does not, however, apply to profit, since profit [expresses] the ratio of surplus value to the total value of the capital expended, and the portion which capitals of equal size lay out in wages, or the ratio of variable capital to the total capital, can be and is very different. The amount of profit—as regards the different capitals—here depends rather on the ratio between the variable capital and the total capital, that is, on $\frac{v}{c+v}$. Thus, if the rate of surplus value is given, and it is always expressed by $\frac{s}{v}$, by the ratio of surplus value to variable capital, then the rate of profit is determined entirely by the ratio of variable capital to the total capital. The rate of profit is thus *determined, firstly, by the rate of surplus value*, that is, by the ratio of unpaid labour to paid labour; and it changes, rises or falls (in so far as this action is not rendered ineffectual by movements of the other determining factors), with changes in the rate of surplus value. This, however, rises or falls in *direct* proportion to the productivity of labour and in *inverse* proportion to the production costs of WAGES or the quantity of necessary labour, i.e. to the VALUE OF LABOUR.

Secondly, however, the rate of profit is determined by the ratio of variable capital to the total capital, by $\frac{v}{c+v}$ The total amount of surplus value, where its rate is given, depends of course only on the size of the variable capital, which, on the assumption made, is determined by, or simply expresses, the number of working days worked simultaneously, that is, the total amount of labour time employed. But the rate of profit depends on the ratio of this absolute magnitude of surplus value, which is determined by the variable capital, to the total capital, that is, on the ratio between variable capital and total capital, on $\frac{v}{c+v}$. Since *S*, surplus value, has been assumed as given in calculating the rate of profit, and therefore v is likewise assumed as given, any VARIATIONS occurring in $\frac{v}{c+v}$ can be due only to VARIATIONS in c, i.e. in constant capital.

For if v is given, the sum $c+v=C$ can only change if c changes and the ratio $\frac{v}{c+v}$ or $\frac{v}{C}$ changes with changes in the sum.

If $v=100$, $c=400$, then $v+c=500$ and $\frac{v}{v+c} = \frac{100}{500} = \frac{1}{5} = 20\%$.

Therefore, if the rate of surplus value$={}^5/_{10},={}^1/_2$, [surplus value]$=50$. But since the variable capital is only=to $^1/_5$ the total capital, the profit therefore$={}^1/_2$ of $^1/_5={}^1/_{10}$ and, in fact, $^1/_{10}$ of $500=50=10\%$. The ratio $\frac{v}{v+c}$ changes with every change in c, but naturally not by the same numerical quantity. If we assume that v and c amount originally to 10 each, i.e., that the total capital consists of half variable and half constant capital, then $\frac{v}{v+c}=\frac{10}{10+10}=\frac{10}{20}=\frac{1}{2}$. If the surplus rate$={}^1/_2$ of v, then it$={}^1/_4$ of C. In other words, if the surplus value$=50\%$, then in this case, where the variable capital$=\frac{C}{2}$, the rate of profit$=25\%$. If we now assume that the constant capital is doubled, i.e., it increases from 10 to 20, then $\frac{v}{c+v}=\frac{10}{20+10}=\frac{10}{30}=\frac{1}{3}$. (The surplus rate, $^1/_2$ of 10, would now be $^1/_2$ of $^1/_3$ of C, i.e.$={}^1/_6$ of $30=5$. Thus $^1/_2$ of $10=5$, 5 calculated on 10 is 50%, 5 calculated on 30 is $16^2/_3\%$. On the other hand, 5 calculated on $20={}^1/_4=25\%$.) The constant capital has doubled, i.e. it has increased from 10 to 20. But the sum $c+v$ has only increased by half, namely, from 20 to 30. The constant capital has increased by 100%, the sum $c+v$ only by 50%. The ratio $\frac{v}{c+v}$, originally $^{10}/_{20}$, has fallen only to $^{10}/_{30}$, i.e. from $^1/_2$ to $^1/_3$, i.e. from $^3/_6$ to $^2/_6$. Thus it has fallen by only $^1/_6$, whereas the constant capital has been doubled. How the growth or decline in the constant capital affects the ratio $\frac{v}{c+v}$ depends evidently on the proportion in which c and v originally constitute parts of the whole capital C (consisting of $c+v$).

[VIII-344] The *constant* capital (i.e. its value) can firstly rise (or fall) although the amounts of raw material, machinery, etc., employed, remain the same. In this case therefore, the variations in constant capital are not determined by the conditions of production prevailing in the industrial process into which it enters as constant capital, but are independent of them. Whatever the *causes* bringing about the change in value may be, they always influence the rate of profit. In this case, the same amount of raw material, machinery, etc., has more or less value than it did previously, because more or less labour time was required to produce them. The variations, then, are determined by the conditions of production of the processes from which the component parts of constant capital emerge as products. We have already[a] examined how this affects the rate of profit.

As far as the rate of profit is concerned, whether in a particular industry constant capital, raw material, for example, rises or falls in value because its own production has become dearer, etc., amounts to the same thing as if in some branch of industry (or even in the same branch) more expensive raw material were used for the production of one type of commodity than for that of another type, while the outlay on wages remained unchanged.

When there is equal expenditure on wage labour, but the raw material worked up by one kind of capital (corn, for example) is dearer than the raw material worked up by another (oats, for example) (or, for that matter, silver and copper, etc., or wool and cotton, etc.), the rate of profit for the two capitals must be in inverse proportion to the dearness of the raw material. Thus, if on the average the same profit is made in both branches of industry, then this is only possible through a communal division of the surplus value among the capitalists, not in accordance with the ratio of surplus value which each capitalist produces in his own particular sphere of production but in relation to the size of the capital they employ. This can happen in two ways. A, who works up the cheaper material, sells his commodity at its real value; he thereby also pockets the surplus value he himself has produced. The price of his commodity is equal to its value. B, who works up dearer material, sells his commodity above its value and charges as much in his price as if he had been working up a cheaper material. If A and B exchange their commodities, then it is the same for A as if he had included a smaller amount of surplus value in the price of his commodity than it actually contains. Or as if both A and B had from the very beginning charged a rate of profit commensurate with the size of the capital invested, i.e., had divided the total surplus value between them on the basis of the amount of the capital they had invested. And this is what the term general rate of profit denotes.[30]

Naturally this equalisation does not take place when the constant capital in a particular capital such as raw materials, for example,

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[a] See this volume, pp. 60-67.—*Ed.*

falls or rises temporarily under the influence of the seasons, etc. Although the extraordinary profits made by the COTTON-SPINNERS, for example, in years of especially good cotton crops, undoubtedly lead to an influx of a mass of new capital into this branch of industry and give rise to the building of a large number of new factories and of textile machinery. If a bad year for cotton ensues, then the loss will be all the greater.

Secondly, the production costs of machinery, raw materials, in short of constant capital, remain the same, but larger amounts of them may be required; their value therefore grows in proportion to the growing amount used as a result of the changed conditions of production in the processes into which those elements enter as means of production. In this case, as in the previous example, the increase in the value of constant capital results of course in a fall in the rate of profit. On the other hand, however, these variations in the conditions of production themselves indicate that labour has become more productive and thus that the rate of surplus value has risen. For more raw material is now being consumed by the same amount of living labour only because it can now work up the same amount in less time, and more machinery is now being used only because the cost of machinery is smaller than the cost of the labour it replaces. Thus here the fall in the rate of profit is more or less made up by increase in the rate of surplus value and therefore also the total amount of surplus value.

Finally, the two factors responsible for the change in value can operate together in very different combinations. For example, [VIII-345] the average value of raw cotton has fallen, but simultaneously the value of the amount of cotton which can be worked up in a certain time, has increased even more. The value of cotton has risen, and so has the value of the total amount of it which can be worked up in a given time. More massive machinery has become dearer in absolute terms, but has become cheaper in relation to its EFFICIENCY, etc.

It has been assumed hitherto that the variable capital remains unchanged. Variable capital, however, can also decline not only relatively but absolutely, as for example in agriculture; i.e. it can decline not only relative to the size of the constant capital. Alternatively, variable capital can increase absolutely. In this case, however, it is the same as if it remained unchanged, in so far as the constant capital grows in a greater or in the same ratio for the reasons mentioned above.

If the constant capital remains unchanged, then any rise or fall of it in relation to the variable capital is accounted for only by a relative rise or fall of the constant capital due to an absolute fall or rise of the amount of variable capital.

If the variable capital remains unchanged, then every rise or fall in the constant capital can be explained only by its own absolute rise or fall.

If variations take place in both [variable and constant capital] simultaneously, then after deducting the variations which are identical in both, the result is the same as if one had remained unchanged while the other had risen or fallen.

Once the *rate of profit* is given, the amount of profit depends on the size of the capital employed. A large capital with a low rate of profit yields a larger profit than a small capital with a high rate of profit.

So much for this digression.

Apart from this, only the 2 following passages from John Stuart Mill require comment:

"*CAPITAL*, STRICTLY SPEAKING, HAS *NO PRODUCTIVE POWER*. The only productive power is that of labour; assisted, no doubt, by TOOLS, and ACTING UPON MATERIALS" (l.c., p. 90).

STRICTLY SPEAKING, he here confuses capital with the material elements of which it is constituted. However, the passage is valuable for those who do the same thing and who nevertheless assert that capital has productive power. Of course, here too the matter is only stated correctly in so far as THE PRODUCTION OF VALUE is considered. After all, nature also produces in so far as it is only a question of use value.

"*PRODUCTIVE POWER OF CAPITAL* can only mean the quantity of real productive power which the capitalist, by means of his capital, can command" (l.c., p. 91).

Here capital is conceived correctly as a production relation.

// *Malthus* (in his *Essai sur la population*, 5TH ed., trad. de P. Prévost, Genève, 1836, 3me éd., t. IV, pp. 104-05) makes the following remark, laced with his usual "profound philosophy", against any plan to provide the cottagers[31] of England with cows:

"It has been observed that those *cottagers*, who keep cows, are more industrious and more regular in their conduct, than those who do not.... Most of those who keep cows at present have purchased them with the fruits of their own industry. It is therefore more just to say that their industry has given them a cow, than that a cow has given them their industry."[a]

And it is therefore correct that diligence in labour (together with the exploitation of other people's labour) has given cows to the parvenus amongst the bourgeoisie, while the cows give their

[a] Marx quotes Malthus in French.—*Ed.*

sons the *goût de l'oisiveté*.[a] If one took away from their cows not the ability to give milk, but to command other people's unpaid labour, it would be a very good thing for their *goût du travail*.[b]

The selfsame "profound philosopher" remarks (l.c., p. 112):

"*But it is evident that all cannot be in the middle.* Superior and inferior parts are in the nature of things absolutely necessary; and" (naturally there can be no mean without extremes) "strikingly beneficial. If no man could hope to rise, or fear to fall in society; if industry did not bring with it its reward, and indolence its punishment; we could not expect to see that animated activity in bettering our condition, which now forms the masterspring [VIII-346] of public prosperity."[c]

Thus there must be lower classes in order that the upper ones may fear to fall and there must be upper classes in order that the lower ones may hope to rise. In order that INDOLENCE may carry its own punishment, the worker must be poor and the rentier and the landlord, so beloved of Malthus, must be rich. But what does Malthus mean by the reward of industry? As we shall see later,[32] he means that the worker must perform part of his labour without an equivalent return. A wonderful stimulus, provided the "reward" and not hunger were the stimulus. What it all boils down to is that a worker may hope to exploit other workers some day.

Rousseau says: "The more monopoly spreads, the heavier do the chains become for the exploited."[c][33]

Malthus, "the profound thinker", has different views. His supreme hope, which he himself describes as *plus ou moins*[d] utopian, is that the mass of the *classe moyenne*[e] should grow and that the proletariat (those who work) should constitute a constantly declining proportion (even though it increases absolutely) of the total population. This in fact is the *course* taken by bourgeois society.

"We might even venture," says Malthus, "to indulge a hope that at some future period the processes for abridging human labour, the progress of which has of late years been so rapid, might ultimately supply all the wants of the most wealthy society with less personal effort than at present; and *if they did not diminish the severity of individual exertion*" (he must go on risking just as much as before, and relatively more and more for others and less and less for himself), "might, at least, diminish the *number of those* employed in severe toil" (l.c., p. 113).//[c]

Petty. Surplus Value. In one passage of Petty's there can be seen an anticipation of the nature of *surplus value*, although he treats it

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[a] Taste for idleness.—*Ed.*
[b] Taste for labour.—*Ed.*
[c] Marx quotes in French.—*Ed.*
[d] More or less.—*Ed.*
[e] Middle class.—*Ed.*

only in the form of rent. Especially when it is put alongside the following passage, in which he determines the relative value of silver and corn by the relative quantities of each that can be produced in the same labour time.

*"If a man [can] bring to London an ounce of silver out of the earth in Peru, in the same time that he can produce a bushel of corn, then one is the natural price of the other; now, if, by reason of new and more easier mines, a man can get two ounces of silver as easily as formerly he did one, then corn will be as cheap at 10s, the bushel as it was before at 5s., *caeteris paribus*.[a]"

"Let a hundred men work 10 years upon corn, and the same number of men the same time upon silver; I say that the neat proceed of the silver is the price of the whole neat proceed of the corn, and like parts of the one the price of like parts of the other."

"Corn will be twice as dear when there are 200 husbandmen to do the same work which an hundred could perform"* (*On Taxes and Contributions*, 1667) (in the edit. of 1679, pp. 31, 24, 67).[34]

The passages to which I alluded above are the following:

*"As trades and curious arts increase; so the trade of husbandry will decrease, or else the wages of husbandmen must rise, and *consequently* the rents of land must fall"* (p. 193). *"If trade and manufacture have increased in England ... if a greater part of the people, apply themselves to those faculties, than there did heretofore, and if the price of corn be no greater now, than when husbandmen were more numerous, and the tradesmen fewer; it follows from that single reason ... that the rents of land must fall:* As for example, suppose the price of wheat be 5s. OR 60d. the BUSHEL; now if the rent of the land whereon it grows be the third SHEAF"; (i.e., PART, SHARE) "then of the 60d. 20d. is for the land, and 40d. for the HUSBANDMAN; but if the HUSBANDMAN'S wages should rise $^1/_8$, or from 8d. to 9d. per day, then the HUSBANDMAN'S SHARE IN THE BUSHEL OF WHEAT rises FROM 40d. TO 45 d. AND CONSEQUENTLY THE RENT OF THE LAND MUST FALL FROM 20d. TO 15d. ... FOR WE SUPPOSE *THE PRICE OF THE WHEAT STILL REMAINS THE SAME*: ESPECIALLY *SINCE WE CANNOT RAISE IT*, FOR IF WE DID ATTEMPT IT, CORN WOULD [VIII-347] BE BROUGHT IN TO US (AS INTO HOLLAND) FROM FOREIGN PARTS, WHERE THE STATE OF HUSBANDRY WAS NOT CHANGED" (*Political Arithmetick etc.*, edit. London, 1699, pp. 193, 194.)

We come back to productive and unproductive labour. *Garnier*. See Notebook VII, p. 319.[b]

Garnier. (G.) He brings forward various arguments against Adam Smith (which are in part repeated by later authors).[c]

First.

"This distinction is false, inasmuch as it is based on a difference which does not exist. *All labour is productive* in the sense in which the author uses this word *productive*. The labour of the one as of the other of these two classes is equally productive of some enjoyment, commodity or utility for the person who pays for it, otherwise this labour would not find wages."[d]

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[a] Other things being equal.—*Ed*.

[b] See this volume, p. 35.—*Ed*.

[c] Ibid., p. 35, 166-67.—*Ed*.

[d] Here and below Marx quotes Garnier in French.—*Ed*.

//It is therefore productive because it produces some use value and is sold, has an exchange value, and is thus itself a commodity.//

In developing this point, however, Garnier cites examples by way of illustration, in which the "unproductive labourers" do *the same thing*, produce the same use value or the same kind of use value as the "productive". For example:

"The servant who is in my service, who lights my fire, who dresses my hair, who cleans and keeps in order my clothes and my furniture, who prepares my food, etc., performs *services absolutely of the same kind* as the laundress or the seamstress who cleans and keeps in order her customers' linen; ... as the eating-house keeper, cook-shop proprietor or publican who carries on his trade of preparing food for persons whom it suits better to come and dine with him; as the barber, the hairdresser, etc."

(for Adam Smith, however, most of these fellows are as little reckoned among productive workers as the servants)

"who perform immediate services; finally as the mason, the tiler, the joiner, the glazier, the stove-setter, etc., etc., and the multitude of building labourers who come when they are called to carry out restorations and repairs, and whose annual income depends as much on simple repair and maintenance work as on new construction."

(Adam Smith nowhere says that the labour which fixes itself in a more or less permanent object cannot be equally well repairs as the making of new things.)[a]

"This kind of labour consists less in producing than in maintaining; its aim is less to add to the value of the subjects to which it is applied than to prevent their decay. All these labourers, including the servants, *save the person who pays them the labour of maintaining his own things.*"[b]

(They can therefore be regarded as machines for maintaining value, or rather use values. *Destutt de Tracy* also asserts this view of the "saving" of labour. See further on. The unproductive labour of one does not become productive by saving the other *unproductive labour.* One of the two performs it. A part of Adam Smith's unproductive labour—but only the part which is absolutely necessary in order to consume things, which so to speak belongs to the *costs of consumption* (and then, too, only when it saves this time for a productive worker)—becomes necessary as a result of the division of labour. But Adam Smith does not deny this "division of labour". If everyone had to perform productive and unproductive labour, and through the dividing up of these kinds of labour between 2 persons both were better performed, according to Adam Smith this would in no way alter the circumstance that one of these labours is productive and the other unproductive.)

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[a] Cf. this volume, pp. 17, 19-21.—*Ed.*

[b] Ibid., pp. 164, 193.—*Ed.*

"It is for that and for that alone that they most often labour"

(for one person to save the labour of looking after himself, 10 have to look after him—a curious way of "saving" labour; besides "unproductive labour" of this kind is most often made use of by those who do nothing);

"thus, either they are all *productive*, or none of them is productive" (l.c., pp. 171-72).

[VIII-348] *Secondly*. A Frenchman cannot forget the *ponts et chaussées*.[a] Why, he says, call productive

"the labour of an inspector or director of a private enterprise in trade or manufacture, and *non-productive*, the labour of the government official who, watching over the upkeep of public highways, of navigable canals and ports, of monies and other important instruments destined to enliven commercial activity, watching over the security of transport and communications, the carrying out of conventions, etc., can with justice be regarded as the *inspector of the great social manufacture*? It is labour of absolutely the same nature, though on a vaster scale" (pp. 172-73).

In so far as such a lad takes part in the production (or conservation and reproduction) of material things which *could be sold* were they not in the hands of the State, Smith might call his labour "productive". "Inspectors of the great social manufacture" are purely French creations.

Thirdly. Here Garnier falls into "moralising".

Why should the "manufacturer of perfumery, who flatters my sense of smell", be productive and not the musician, who "enchants my ear"? (p. 173).

Smith would reply: because the former supplies a material product and the latter does not. Morals and the "merits" of the two lads have nothing to do with the distinction.

Fourthly. Is it not a contradiction that

the "violin maker, the organ builder, the music dealer, the mechanic, etc.", are productive, and the professions for which these labours are only "preparations" are unproductive?

"All of them have, as the final aim of *their labour, a consumption of the same kind*. If the result which some of them have in view does not deserve to be counted among *the products* of the labour of society, why should one treat more favourably what is nothing but a *means for attaining this result*?" (l.c., p. 173).

On this reasoning, a man who eats corn is just as productive as the man who produces it. For with what aim is corn produced? In order to eat it. So if the labour of eating is not productive, why should the labour of cultivating corn be productive, since it is only a means for attaining this result? Besides, the man who eats

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[a] Lit.: bridges and roads—in France this designated the administration of roads and communications.—*Ed.*

produces brain, muscles, etc., and are these not just as worthy products as barley or wheat?—an indignant friend of humanity might ask Adam Smith. In the first place, Adam Smith does not deny that the unproductive labourer produces a product of some sort. Otherwise he would not be a labourer at all. Secondly, it may seem strange that the doctor who prescribes pills is not a productive labourer, but the apothecary who makes them up is. Similarly the instrument maker who makes the fiddle, but not the musician who plays it. But that would only show that "productive labourers" produce products which have no purpose except to serve as means of production for unproductive labourers. Which however is no more surprising than that all productive labourers, when all is said and done, produce *firstly* the means for the payment of unproductive labourers, and secondly, products which are consumed by those who *do not perform any labour.*

Of all these comments, No. II is that of a Frenchman who can't forget his *ponts et chaussées*; No. III amounts only to morals; No. IV either contains the stupidity that consumption is just as productive as production (which is not true in bourgeois society, where one produces and another consumes) or that some productive labour merely produces the material for unproductive labour, which Adam Smith nowhere denies. Only [No.] I contains the correct point that Adam Smith, by his 2nd definition, calls *the same* kinds of labour [VIII-349] productive and unproductive—or rather that according to his own definition he would have to call a relatively small part of his "unproductive" labour *productive*; a point therefore that does not tell against the *distinction*, but against the *subsumption* of certain activities under the distinction or *the way* it is applied.

After making all these comments, the learned Garnier finally comes to the point.

"The only general difference that can, it seems, be observed between the two classes assumed by Smith, is that in the class which he calls *productive*, there is or *may always be some intermediary person between the maker of the object and the person who consumes it*; whereas in the class that he calls *non-productive, there cannot be any intermediary*, and the relation *between the labourer and the consumer is necessarily direct and immediate.* It is evident that there is *necessarily* a direct and immediate relation between the person who uses the experience of the physician, the skill of the surgeon, the knowledge of the lawyer, the talent of the musician or actor, or finally the services of the domestic servant, and each of these different hired workers at the moment of their labour; while in the professions constituting the other class, *the thing to be consumed being material and palpable, it can be the subject of many intermediary exchanges* after leaving the person who makes it before it reaches the one who consumes it" (p. 174).

In these last words Garnier shows, *malgré lui*,[a] the concealed association of ideas that exists between Smith's first distinction (labour which is exchanged against capital, and labour which is exchanged against revenue) and his second (labour which fixes itself in a material, VENDIBLE COMMODITY and labour which does not so fix itself).[b] The latter by its nature *cannot* for the most part be subordinated to the capitalist mode of production; the former can. To say nothing of the fact that *on the basis of capitalist production*, where the great majority of material commodities—material and palpable things—is produced by wage labourers under the domination of capital, [unproductive] labours (or services, whether those of a prostitute or of the Pope) can only be paid for *either out of the wages of the productive labourers, or out of the profits of their employers (and the partners in those profits), quite apart from the circumstances that those productive labourers produce the material basis of the subsistence, and, consequently, the existence, of the unproductive labourers.* It is however characteristic of this shallow French cur that he, who wants to be an expert in political economy and so an explorer of capitalist production, considers *inessential* the feature which makes this production capitalist—the exchange of capital for wage labour instead of the direct exchange of revenue for wage labour or the revenue which the labourer directly pays to himself. By so doing Garnier makes capitalist production itself an inessential form instead of a necessary—though only historically, that is, transiently necessary—form for the development of the social productive powers of labour and the transformation of labour into social labour.

"It would also always be necessary to deduct from his *productive* class all labourers whose labour consists purely of cleaning, conserving or repairing finished articles, and consequently does not put any new product into circulation" (p. 175).

(Smith nowhere says that the labour or its product must enter into the circulating capital. It can enter directly into fixed capital, like the mechanic's labour repairing a machine in a factory. But in this case its *value* enters into the circulation of the product, the commodity. And the repairers, etc., who do this labour as servants, do not exchange [VIII-350] their labour against capital but against revenue.)

"It is in consequence of this difference that the *non-productive* class, as Smith has observed, subsists only on revenues. In fact, since this class allows of no intermediary between itself and the consumer of its products, that is to say, the

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[a] In spite of himself.—*Ed.*

[b] Cf. this volume, pp. 11-29.—*Ed.*

person who enjoys its labour, it is paid immediately by the consumer; and *he pays only from revenues.* As against these, the labourers of the *productive* class, being as a rule paid by an *intermediary who intends to make a profit from their labour, are most often paid by capital.* But this capital is always in the end replaced by the revenue of a consumer, otherwise it would not circulate and therefore would not yield any profit to its possessor" [p. 175].

This last "but" is quite childish. In the first place, a part of the capital is replaced by capital and not by revenue, whether this part of the capital circulates or does not circulate (as in the case of seed).

When a coal-mine supplies coal to an ironworks and gets from the latter iron which enters into the operations of the coal-mine as means of production, the coal is in this way exchanged for capital to the amount of the value of this iron, and reciprocally the iron, to the amount of its own value, is exchanged as capital for coal. Both (considered as use values) are products of new labour, although this labour was produced with means of labour that were already in existence. But the value of the product of the year's labour is not the product of the year's labour. It also replaces the value of the past labour which was objectified in the means of production. Therefore the part of the total product which is=to this value is not a part of the product of the year's labour, but the reproduction of past labour.

Let us take for example the product of the daily labour of a coal-mine, an ironworks, a timber producer and a machine-building factory. Let the constant capital in all these industries be=to $^1/_3$ of all the component parts of capital: i.e. let the proportion of pre-existing labour to living labour be 1:2. Then all these industries produce each a daily product of x, x′, x″, x‴. These products are certain quantities of coal, iron, timber and machinery. As such products, they are products of the day's labour (but also of the daily consumed raw materials, fuel, machinery, etc., which have all contributed to the day's production). Let the values of these be equal to z, z′, z″, z‴. These values are not the product of the day's labour, since $\frac{z}{3}, \frac{z'}{3}, \frac{z''}{3}, \frac{z'''}{3}$ are only equal to the value which the constant elements of z, z′, z″, z‴ had before they entered into the day's labour. Therefore also $\frac{x}{3}, \frac{x'}{3}, \frac{x''}{3}, \frac{x'''}{3}$ or a third part of the use values produced, represent only the value of the pre-existing labour and continually replace it. //The exchange which here takes place between pre-existing labour and the *product* of living labour is of quite a different nature from the exchange between labour capacity and the conditions of labour existing as capital.//

Z=x; yet x is the value of the total z,[35] but $^1/_3$x=the value of the raw material, etc., contained in the total z. Thus $^2/_3$ is a part of the day's product of the labour //but not at all the product of the day's labour, but on the contrary of the previous pre-existing labour combined with it// in which the pre-existing labour combined with the day's labour reappears and is replaced. Now it is true that each aliquot part of z, which is simply the quantity of actual products (iron, coal, etc.), represents in its value $^1/_3$ pre-existing labour and $^2/_3$ labour performed or added the same day. Pre-existing labour and the day's labour enter into the total product in the same proportion as they enter into each separate product of which the total product is made up. But if I divide the total product into 2 parts, putting $^1/_3$ on one side and $^2/_3$ on the other, it is the same as if the $^1/_3$ represents only pre-existing labour and the other $^2/_3$ only the day's labour. In fact the first $^1/_3$ represents all past labour which entered into the total product, the full value of the means of production consumed. After deducting this $^1/_3$, therefore, the other $^2/_3$ can represent only the product of the day's labour. The $^2/_3$ in fact represent the total amount of the day's labour that was added to the means of production.

The last $^2/_3$ are therefore equal to the producer's revenue (profit and wages). He can consume them, i.e. spend them on articles which enter into his individual consumption. Suppose that these $^2/_3$ of the coal produced daily were bought by the consumers or purchasers not with money, but with the commodities which they have previously transformed into money in order to buy coal with it. A part of these $^2/_3$ of the coal will enter into the individual consumption of the coal producers themselves, for heating, etc. This part therefore does not enter into circulation, or if it does first enter into circulation it will be withdrawn again from it [VIII-351] by its own producers. Minus this part of the $^2/_3$ which the producers of coal themselves consume, they must exchange all the rest of it (if they want to consume it) for articles which enter into individual consumption.

In this exchange it is a matter of complete indifference to them whether the sellers of the consumable articles exchange capital or revenue for the coal; that is to say, whether for example the cloth manufacturer exchanges his cloth for coal in order to heat his private dwelling (in this case the coal itself in turn is an article of consumption for him, and he pays for it with revenue, with a quantity of cloth that represents profit); or whether James, the cloth manufacturer's footman, exchanges the cloth he has received as wages for the coal (in this case the latter is once more an article of consumption and exchanged for the revenue of the cloth manufacturer, who in turn however has exchanged his revenue for the unproductive labour of the footman); or whether the cloth manufacturer exchanges cloth for coal in order to replace the coal required in his factory that has been used up. (In the latter case the cloth that the cloth manufacturer exchanges represents for him constant capital, the value of one of his means of production; and the coal represents for him not only the value but his means of production *in natura*. But for the coal producer the cloth is an article of consumption, and both cloth and coal represent for him revenue; the coal, revenue in its non-realised form; the cloth, revenue in its realised form.)

But as for the last $^1/_3$ of the coal, the coal producer cannot spend it on articles which enter into his individual consumption; he cannot spend it as revenue. It belongs to the process of production (or reproduction) and must be transformed into iron, timber, machinery—into articles which form the component parts of his constant capital and without which the production of coal cannot be renewed or continued. He could, it is true, exchange also this $^1/_3$ for articles of consumption (or, what is the same thing, for the money of the producers of these articles), but in fact only on the condition that he exchanges these consumption articles in turn for iron, timber, machinery—that they enter neither into his own consumption nor into the outlay of his revenue, but into the consumption and revenue outlays of the producers of timber, iron and machinery; all of whom, however, in turn find themselves in the position of not being able to expend $^1/_3$ of their product on articles for individual consumption.

Now let us assume that coal enters into the constant capital of the producers of iron and timber, and of the machine builder. On the other hand iron, timber, and machinery enter into the constant capital of the producer of coal. In so far as these products of theirs mutually enter to the same amount of value, they replace themselves *in natura*, and one has to pay the other only the balance for the SURPLUS that he has bought from him in excess of what he has sold to him. In fact, money appears here in practice (through the medium of bills of exchange, etc.) only as *means of payment*, not as coin, means of circulation; and only the balance is paid in money. The producer of coal will need a part of this $^1/_3$ of his coal for his own reproduction, just as he deducted from the product a part of the $^2/_3$ for his own consumption. The whole quantity of coal, iron, timber and machinery which are reciprocally replaced in this way by the exchange of constant capital for constant capital, of constant capital in one natural form for constant capital in another natural form, has absolutely nothing to do either with the exchange of revenue for constant capital or with the exchange of revenue for revenue. It plays exactly the same role as seed in agriculture or the capital stock of cattle in cattle-rearing. It is a part of the yearly product of labour, but it is not a part of the product of the year's labour (on the contrary it is the product of the year's labour+the pre-existing labour), which (conditions of production remaining the same) replaces itself annually as means of production, as constant capital, without entering into any circulation other than that between DEALERS and DEALERS and without affecting the *value* of the part of the product which enters into the circulation between DEALERS and CONSUMERS.[36]

Let us assume that the whole $^1/_3$ of the coal is thus exchanged *in natura* for its own elements of production, iron, timber, machinery. //It might be possible for example to exchange the entire amount direct for machinery; but the machine builder in turn would exchange it as constant capital, not only for his own but for that of the producers of iron and timber.// In fact, each hundredweight of the $^2/_3$ of his product in coal [VIII-352] which he exchanged for articles of consumption, exchanged as revenue, would, from the standpoint of value, consist of 2 parts, as the total product does. $^1/_3$ of a hundredweight would be equal to the value of the means of production used up in the hundredweight, and $^2/_3$ of the hundredweight would be equal to the labour newly added to this $^1/_3$ by the producers of the coal. But if the total product for example=30,000 hundredweight he exchanges only 20,000 hundredweight as revenue. On the assumption made, the other 10,000 hundredweight would be replaced by iron, timber, machinery, etc., etc.; in a word, the whole value of the means of production used up in the 30,000 hundredweight would be replaced *in natura* by means of production of the same sort and of equal value.

The buyers of the 20,000 hundredweight thus do not pay a single FARTHING for the value of the pre-existing labour contained in the 20,000 hundredweight; for the 20,000 represent only $^2/_3$ of the value of the total product in which the newly added labour is realised. It comes to the same thing, therefore, as if the 20,000 hundredweight represented only labour newly added (during the year, for example) and no pre-existing labour. The buyer therefore pays the whole value of each hundredweight, pre-existing labour+newly added labour, and yet he pays only for the newly added labour, and that is because the quantity he buys is only 20,000 hundredweight, only that quantity of the total product which is equal to the value of all the newly added labour. Just as little does he pay for the farmer's seed in paying for the wheat which he eats. The producers have mutually replaced this part for each other; therefore they do not need to have it replaced a second time. They have replaced it with the part of their own product which it is true is the year's product of their labour, but is not at all the product of their year's labour, but on the contrary is the part of their annual product that represents the pre-existing labour. Without the new labour the product would not be there; but in the same way it would not be there without the labour objectified in the means of production. If it were merely the product of the new labour, then its value would be less than it now is, and there would be no part of the product to be returned to production. But if the other method of labour were not more productive and did [not] yield more product in spite of a part of the product having to be returned to production, it would not be used.

Although no part of the value of the $^1/_3$ of the coal enters into the 20,000 hundredweight of coal sold as revenue, any change in the value of the constant capital which the $^1/_3$ or 10,000 hundredweight represented would nevertheless bring about a change of value in the other $^2/_3$ which are sold as revenue. Let production in iron, timber, machinery and so on, in a word, in the elements of production of which the $^1/_3$ of the product is composed, become more costly. Let the productivity of mining labour remain the same. The 30,000 hundredweight are produced with the same quantity of iron, timber, coal, machinery and labour as before. But since iron, timber and machinery have got dearer, cost more labour time than before, more coal than before must be given for them.

[VIII-353] As previously, the product would be=to 30,000 hundredweight. The coal-mining labour has remained as productive as it was before. With the same quantity of living labour and the same amount of timber, iron, machinery, etc., it produces 30,000 hundredweight as before. The living labour, as before, is represented by the same value, say £20,000 (reckoned in money). On the other hand timber, iron, etc., in a word, the constant capital, now cost £16,000 instead of £10,000; i.e. the labour time contained in them has increased by $^6/_{10}$, or 60%.

The value of the total product now=£36,000; it was £30,000 before; it has therefore risen by $^1/_5$, or 20%. So also every aliquot part of the product costs $^1/_5$, or 20%, more than before. If a hundredweight cost £1 previously, then now it costs £1+$^1/_5$ of £1=£1 4s. Previously, $^1/_3$ or $^3/_9$ of the total product=constant capital, $^2/_3$=labour added. Now the proportion of the constant capital to the value of the total product=16,000:36,000=$^{16}/_{36}$=$^4/_9$. It amounts therefore to $^1/_9$ more than before. The part of the product which is=to the value of the labour added was formerly $^2/_3$ or $^6/_9$ of the product, now it is $^5/_9$.

So we get:

	Constant capital	Labour added
Value=£36,000	£16,000 ($^4/_9$ of the product)	£20,000 (the same value as before=$^5/_9$ of the product)
Product=30,000 cwt	13,333 $^1/_3$ cwt	16,666 $^2/_3$ cwt

The coal miners' labour would not have become less productive; but the product of their labour+the pre-existing labour would have become less productive; i.e. $^1/_9$ more of the total product would be required to replace the component part of the value [VIII-354] formed by the constant capital. $^1/_9$ less of the product would be=to the value of the labour added. Now as before the producers of iron, timber, etc., would only pay for 10,000 cwt of coal. Previously these cost them £10,000. They will now cost them £12,000. A part of the costs of the constant capital would therefore be made good, since they would have to pay the increased price for the part of the coal which they get in replacement of iron, etc. But the producer of coal has to buy raw material, etc., from them to the amount of £16,000. There remains therefore a debit balance of £4,000, i.e. 3,333 $^1/_3$ cwt of COAL. He must therefore, as before, supply 16,666 $^2/_3$ cwt +3,333 $^1/_3$ cwt=20,000 cwt of coal=$^2/_3$ of the product to the consumers, who would now have to pay £24,000 for it instead of £20,000. In so doing they would have to replace for him not only labour, but also a part of the constant capital. As regards the consumers, the matter would be very simple. If they wished to consume the same quantity of coal as before, they must pay $^1/_5$ more for it and so must spend $^1/_5$ of their revenue less on other products, if the production costs have remained the same in every branch of production. The difficulty lies only in this: how does the producer of coal pay for the £4,000 of iron, timber, etc., for which their producers do not want coal in exchange? He has sold the 3,333 $^1/_3$ cwt,=to this £4,000, to the consumers of coal, and has received in exchange commodities of all kinds. But these cannot enter into his consumption or that of his labourers, but must pass into the consumption of the producers of iron, timber, etc., for he must replace in these articles the value of his $3{,}333\,^1/_3$ cwt. It will be said: it's quite a simple matter. All consumers of coal have to consume $^1/_5$ less of all other commodities, or each of them has to give $^1/_5$ more of his commodities for coal. The producers of timber, iron, etc., consume exactly this $^1/_5$ more. However, it is not *prima facie* evident how the lowered productivity in the ironworks, machine building, timber-felling, etc., is to enable their producers to consume a larger revenue than before, SINCE THE PRICE OF THEIR ARTICLES IS SUPPOSED TO BE EQUAL TO THEIR VALUES, AND, CONSEQUENTLY, TO HAVE RISEN ONLY IN PROPORTION TO THE DIMINISHED PRODUCTIVITY OF THEIR LABOUR.

Now it is assumed that iron, timber, machinery have risen in value by $^3/_5$, by 60%. There are only 2 causes which can give rise to this. Either the iron, timber, etc., production has become less productive, because the living labour used in it has become less productive, that is, a greater quantity of labour must be used to produce the same product. In this case the producers must use $^3/_5$ more labour than before. The rate of labour[a] has remained the same, because the lowered productivity of labour has only a passing effect on individual products. Therefore the rate of surplus value also has remained the same. The producer needs 24 days' labour where he needed 15 before; but he pays the labourers, as before, only 10 hours' labour on each of the 24 [working days], and makes them work 2 [hours] for nothing on each of these days, as previously. If the 15 [labourers] have therefore done 150 hours' labour for themselves and 30 for him; so the 24 work 240 hours for themselves and 48 for him. (Here we don't worry about the rate of profit.) Wages have only fallen in so far as they are spent in iron, timber and machinery, etc., which is not the case. The 24 labourers now consume $^3/_5$ more than the 15 did before. So the coal producers can set aside correspondingly more for them from the value of the $3{,}333\,^1/_3$ cwt (i.e., for their MASTER, who pays out the wages).

Or the reduced productivity in the production of iron, timber, etc., arises from the fact that parts of their constant capital, of their means of production, have become dearer. Then the same alternative applies, and finally the reduced productivity must result in the use of a greater quantity of living labour; therefore also in increased wages, which the coal producer has partly received from the consumers in the £4,000.

[a] I.e. the rate of wages.—*Ed.*

In the branches of production where more labour is employed, the amount of the surplus value will have risen because the number of workers employed is greater. On the other hand, the rate of profit will have fallen in so far as all component parts of their constant capital into which their own product enters [have risen]; whether they themselves use a part of their own product as means of production, or, as in the case of coal, their product enters as a means of production into their own means of production. However, if their circulating capital laid out in wages has increased more than the part of the constant capital that they have to replace, their rate of profit will also have risen, and they [VIII-355] will participate in the consumption of a part of the £4,000.

An increase in the value of the constant capital (arising from lowered productivity in the branches of labour which supply it) raises the value of the product into which it enters as constant capital, and reduces the part of the product (*in natura*) which replaces the newly added labour, thus making it less productive in so far as this is reckoned in its own product. For the part of the constant capital which is exchanged *in natura*, the position is the same as it was. The same quantity of iron, timber and coal as before will be exchanged *in natura* in order to replace the iron, timber and coal that has been used up, and in this transaction the higher prices will balance each other. But the surplus of coal which now forms a part of the constant capital of the coal producer and does not enter into this exchange in kind is, as before, exchanged for revenue (in the case given above, in part not only for wages but also for profit); this revenue, however, instead of going to the former consumers, accrues to the producers in whose spheres of production a greater quantity of labour is used, that is, the number of labourers has increased.

If a branch of industry produces products which enter only into individual consumption, and neither into other industries as means of production (by means of production constant capital is always meant here) nor into their own reproduction (as for example in agriculture, cattle-raising, or the coal industry, into which coal itself enters as *matière instrumentale*[a]), then the annual product of this branch //any possible surplus over the annual product making no difference in this connection// must always be paid for out of revenue, wages or profit.

Let us take the case of the linen given earlier.[37] Three yards of linen consist of: $^2/_3$ constant capital and $^1/_3$ labour added. One yard

[a] Instrumental material.—*Ed.*

of linen therefore represents labour added. If the surplus value=25%, then $^1/_5$ of the 1 yard represents the profit, the other $^4/_5$ represent the reproduction of the wages. The manufacturer himself consumes the $^1/_5$, or what is the same thing, others consume it and pay him the value, which he consumes in their own or in other commodities. //To simplify matters, here the whole profit is—wrongly—considered as revenue.// But he expends the $^4/_5$ of a yard again in wages; his labourers consume them as their revenue either directly or in exchange for other consumable products, whose owners consume the linen.

This is the total part of the 3 yards of linen—the 1 yard—which the linen producers can themselves consume as revenue. The other 2 yards represent the manufacturer's constant capital; they must be reconverted into the conditions of production for linen—yarn, machinery, etc. From the standpoint of the manufacturer, the exchange of the 2 yards of linen is an exchange of constant capital; but he can only exchange it against the revenue of other people. So he pays for the yarn, say, with $^4/_5$ of the 2 yards or $^8/_5$ yards, and for the machinery with $^2/_5$ of a yard. The spinner and machine builder in turn can each consume $^1/_3$ of what they get, that is, the former, out of $^8/_5$ yards, $^8/_{15}$ of a yard, the latter $^2/_{15}$ out of the $^2/_5$ of a [yard]. Added together, $^{10}/_{15}$ or $^2/_3$ of a yard. But $^{20}/_{15}$ or $^4/_3$ yards must replace for them the raw material, flax, iron, coal, etc., and each of these articles in turn consists of one part which represents revenue (labour newly added), and another part which represents constant capital (raw materials and fixed capital, etc.).

The last $^4/_3$ yards, however, can only be consumed as revenue. What therefore ultimately appears as constant capital in yarn and machinery and is used by the spinner and machine builder to replace the flax, iron and coal (except for the part of the iron, coal, etc., which the machine builder replaces with machines) can only represent the part of the flax, iron and coal which forms the revenue of the flax, iron and coal producers, so that there is no constant capital to be replaced in this; that is to say, it must belong to the part of the product into which, as shown above, no part of the constant capital enters. But these producers consume what is their revenue in iron, coal, flax, etc., in linen or in other consumable products, because their own products as such do not enter, or only to a small extent, into their individual consumption. Thus a part of the iron, flax, etc., can be exchanged for a product which only enters into individual consumption, that is linen, and in exchange for it replace for the spinner all, and for the machine builder part, of his constant capital; while in turn the spinner and machine builder, with the part of their yarn and machinery that represents revenue, consume linen and thereby replace the weaver's constant capital.

Thus in fact the whole of the linen is resolved into the profits and wages of the weaver, spinner, machine builder, flax-grower and producers of coal and of iron, while at the same time they replace the whole of the constant capital for the linen manufacturer and the spinner. The account would not balance if the final producers of raw materials had to replace their own constant capital by exchange with the linen, since this is an article for individual consumption, which does not enter into any sphere of production as means of production, [VIII-356] as part of the constant capital. The account balances, because the linen bought by the flax-grower, producers of coal and of iron, machine builder, etc., with their own product, replaces for them only the part of their product which consists in revenue for *them*, but in constant capital for those who buy their products. That is only possible because they replace the part of their product which does not consist of revenue and which therefore cannot be exchanged for consumable products, *in natura* or by the exchange of constant capital for constant capital.

In the example given above[a] it is assumed that the productivity of labour in a given branch of industry has remained the same, and yet that it has fallen, if the productivity of the living labour employed in this branch of industry is reckoned in its own product. But this is very simply explained.

Suppose the product of a spinner's labour is=to 5 lbs of yarn. Assume that he needs for this only 5 lbs of cotton (that is, there is no waste); and that an lb. of yarn costs 1 shilling (we leave the machinery out of account; i.e. we suppose that its value has neither fallen nor risen; for the case we are considering, therefore, its value is=to 0). [Let] cotton [cost] 8d. an lb. Of the 5s. which the 5 lbs of yarn costs, 40d. (5×8d.)=3s. 4d. is for the cotton, and 5×4d.=20d.=1s. 8d. is the newly added labour. Of the total product, therefore, constant capital amounts to $3+{}^{1}/_{3}$ lbs of yarn (3s. 4d.) and labour to $1\,{}^{2}/_{3}$ lbs of yarn. Hence ${}^{2}/_{3}$ of the 5 lbs of yarn replace constant capital and ${}^{1}/_{3}$ of the 5 lbs of yarn, or $1\,{}^{2}/_{3}$ lbs, is the part of the product which pays for the labour.

Assume that the price of an lb. of cotton now rises by 50%, from 8d. to 12d., or 1s. Then we have for 5 lbs of yarn, first, 5s.

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[a] See this volume, p. 88-91.—*Ed.*

for 5 lbs of cotton, and 1s. 8d. for labour added, whose quantity, and therefore whose value expressed in money, remains the same. Thus the 5 lbs of yarn now costs 5s.+1s. 8d.=6s. 8d. Of this 6s. 8d., however, raw material is now 5s. and labour 1s. 8d.

6s. 8d.=80d., of which 60d. is for raw material and 20d. for labour. Labour now only forms 20d. of the value of the 5 lbs, 80d., or $^1/_4$=25%; previously, 33 $^1/_3$%. On the other hand the raw material is 60d.=$^3/_4$=75%, previously it was only 66 $^2/_3$%. As the 5 lbs of yarn now costs 80d., 1 lb. costs $^{80}/_5$ d.=16d. For his 20d.—the value of labour—[the spinner] will therefore get 1 $^1/_4$ lbs of the 5 lbs of yarn, and [the other] 3 $^3/_4$ lbs [go for] raw material. Previously, 1 $^2/_3$ lbs were for labour (profit and wages) and 3 $^1/_3$ lbs for constant capital. Reckoned in its own product, therefore, the labour has become less productive, although its productivity has remained the same and only the raw material has got dearer. But it has remained equally productive, because the same labour has transformed 5 lbs of cotton into 5 lbs of yarn in the same time, and the actual product of this labour (considered as use value) is only the *form of yarn* which has been given to the cotton. The 5 lbs of cotton have been given the form of yarn as before, with the same labour. The actual product, however, consists not only of this form of yarn but also of the raw cotton, the material which has been put into this form, and the value of this material now forms a greater part of the total product than it did before, in proportion to the labour which gives it the form. Consequently the same quantity of spinning labour is paid for in less yarn, or the part of the product which replaces it has become smaller.

So much for that.

So in the first place Garnier is wrong when he says that the whole capital is in the end always replaced by consumer's revenue, since a part of the capital can be replaced by capital and not by revenue. Secondly, it is in itself a silly statement, since revenue itself, in so far as it is not wages (or wages paid by wages, revenue derived from wages), is profit on capital (or revenue derived from profit on capital). Finally, it is silly to say[a] that the part of capital which does not circulate (in the sense that it is not replaced by consumer's revenue) "would not yield any profit to its possessor". In fact—conditions of production remaining the same—this part yields no profit (or rather, no surplus value). But without it capital could in no case produce its profit.

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[a] See this volume, pp. 83-84.—*Ed.*

[VIII-357] "All that can be deduced from this difference is that, in order to employ *productive* people, what is required is not only the *revenue of the person who enjoys their labour*, but *also a capital which yields profit to intermediaries*, while *to employ non-productive people* the revenue which pays them is most often sufficient" (l.c., p. 175).

This one sentence is such a bundle of nonsense that it makes it clear that Garnier, the translator of Adam Smith, IN FACT understood nothing of what Adam Smith wrote, and in particular had no conception whatever of the essence of the *Wealth of Nations*—namely, the view that the capitalist mode of production is the most productive mode (which it absolutely is, in comparison with previous forms).

First, it is an extremely silly objection to raise against Smith, who declared that unproductive labour was labour paid directly from revenue, that "to employ *non-productive* people the revenue which pays them is most often sufficient". Now however the antithesis:

"In order to employ *productive* people, what is required is *not only the revenue of the person who enjoys* their labour, but also a *capital* which *yields profit to intermediaries*."

(How unproductive then must agricultural labour be for Mr. Garnier, which in addition to the revenue which enjoys the product of the land, requires a capital which not only yields profit to intermediaries, but in addition a rent to the landowner.[a])

In order "to employ these productive people", what is necessary is not first capital that employs them, and secondly revenue that enjoys their labour, but nothing other than capital, which produces the revenue, which enjoys the fruit of their labour. If as a capitalist tailor I lay out £100 in wages, this £100 produces for me say £120. It produces for me a revenue of £20, with which I can then, if I want to, also enjoy tailoring labour in the form of a "frockcoat". If on the other hand I buy clothes for £20 in order to wear them, it is obvious that these clothes have not created the £20 with which I buy them. And the case would be the same if I got a jobbing tailor to come to my house and made him sew coats for me for £20. In the first case I received £20 more than I had before, and in the second case, after the transaction, I have £20 less than I had before. Moreover, I would soon realise that the jobbing tailor whom I pay directly from revenue does not make the coat as cheaply as if I bought it from the intermediary.

Garnier imagines that the profit is paid by the consumer. The consumer pays the "value" of the commodity; and although it contains a profit for the capitalist, the commodity is cheaper for

[a] In his comments Marx uses French phrases.—*Ed.*

him, the consumer, than if he had spent his revenue directly on labour causing it to produce on a small scale for his personal requirements. It is obvious here that Garnier has not the slightest idea of what capital is.

He continues:

"Do not many *unproductive* workers, such as actors, musicians, etc., as a rule only receive their wages through the channel of a manager who draws profits from the capital placed in this kind of enterprise?" (l.c., pp. 175-76).

This observation is correct, but it only shows that a part of the labourers whom Adam Smith in his second definition calls unproductive are productive according to his first definition.

"It follows therefore that in a society in which the *productive* class is very numerous, it must be supposed that a large accumulation of capitals exists in the hands of the intermediaries or entrepreneurs of labour" (l.c., p. 176).

In fact, wage labour on a mass scale is only another expression for capital on a mass scale.

"It is therefore not, as Smith maintains, the proportion existing between the mass of capitals and that of revenues which will determine the proportion between the *productive* class and the *non-productive* class. This latter proportion seems to depend much more on the customs and habits of the people; on the more or less advanced degree of its industry" (p. 177).

If productive labourers are such as are paid from capital, and unproductive such as are paid from revenue, the proportion of the productive class to the unproductive is obviously that of capital to revenue. The proportional growth of the two classes, however, will not depend only on the existing proportion of the mass of capitals to the mass of revenues. It will depend on the proportion in which the increasing revenue (profit) is transformed into capital or expended as revenue. Although the bourgeoisie was originally very thrifty, with the growing productivity of capital, i.e., of labour, [VIII-358] it imitates the retainer system of the feudal lords. According to the latest report (1861 or 1862) on the FACTORIES, the total number of persons (MANAGERS included) employed in the FACTORIES properly so called of the UNITED KINGDOM was only 775,534,* while the number of female servants in England alone amounted to 1 million.[38] What a convenient arrangement it is that makes a factory girl sweat 12 hours in a factory, so that the factory proprietor, with a part of her unpaid labour, can take into his personal service her sister as maid, her brother as GROOM and her cousin as soldier or policeman!

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* *Return to an Address of the House of Commons*, DATED 24 APRIL 1861 (PRINTED 11 FEBRUARY 1862).[11]

Garnier's last sentence is trite tautology. He makes the proportion between the productive and the unproductive classes depend, not on the proportion of capital and revenue—or RATHER on the mass of existing commodities which are expended in the form of capital or of revenue—but (?) on the customs and habits of the people, on the degree of development of its industry. In fact, capitalist production first appears at a certain stage of development of industry.

As a Bonapartist senator, Garnier naturally waxes enthusiastic over lackeys and servitors in general:

"No class with an equal number of individuals contributes more than domestic servants to the conversion into *capital* of sums originating from *revenue*" (p. 181).

In fact, no class provides a more worthless section of recruits for the petty bourgeoisie. Garnier does not understand how Smith,

"a man who has observed things with such sagacity", does not value more highly "this intermediary, placed close to the rich, in order to *gather up* the scraps of revenue which the latter so thoughtlessly dissipates", etc. (l.c., p.[p. 182-]83).

He himself says in this sentence that he [the intermediary] merely "gathers up" the scraps of "revenue". But of what does this revenue consist? Of the unpaid labour of the productive labourer.

After all these extremely worthless polemics against Smith, Garnier, relapsing into Physiocracy, declares agricultural labour the only productive labour! And why? Because it

"creates another new value, a value which *did not exist* in society, even as an equivalent, at the moment when this labour began to be performed; and it is this value which provides a rent to the owner of the land" (l.c., p. 184).

So what is productive labour? Labour which produces a surplus value, a new value over and above the equivalent which it receives as wages. Smith is not to blame for Garnier's failing to understand that the *exchange of capital for labour* means nothing but the exchange of a commodity of a given value—equal to a given quantity of labour—for a greater quantity of labour than it itself contains, and thus

"creates a new value which did not exist in society, even as an equivalent, at the moment when this labour began to be performed".

Ch. Ganilh. A very inferior and superficial compilation is Charles Ganilh's *Des systèmes d'économie politique.* First edition Paris *1809*, second *1821*. (Quotations from the latter.) His twaddle is directly linked with Garnier, against whom he polemises.

//*Canard* in *Principes d'économie politique* defines

"*wealth*" [as] "*an accumulation of superfluous labour*".[39]

Had he said that it is the labour which is superfluous for keeping the labourer alive as a labourer, the definition would be correct.//

Mr. Ganilh's starting-point is the elementary fact that the commodity is the element of bourgeois wealth, and therefore labour, in order to produce wealth, must produce commodities, must *sell* itself or its product.

"In the present state of civilisation, labour is only known to us through exchange" (l.c., Vol. I, p. 79).[a] "Labour without exchange can produce no wealth" (l.c., p. 81).

From this Mr. Ganilh JUMPS straight into the Mercantile system.

Because labour without exchange creates no bourgeois wealth, "wealth comes exclusively from trade" (l.c., p. 84).

Or, as he says later:

"Exchange or trade alone gives value to things" (l.c., p. 98). On this "principle of the identity of values and wealth ... rests the doctrine of the fruitfulness of general labour" (l.c., [p.] 93).

Ganilh himself declares that

[VIII-359] the "commercial system" which he calls a mere "modification" of the monetary system "derives private and public wealth from the exchangeable values of labour, whether these values are or are not fixed in durable, and permanent material objects" (l.c., [p.] 95).

He thus falls into the Mercantile system, as Garnier fell into the Physiocratic. His trash, IF GOOD FOR NOTHING ELSE, is consequently not bad as a characterisation of this system and of its views on "surplus value", especially as he puts forward these views in opposition to Smith, Ricardo, etc.

Wealth is exchangeable value; all labour which produces an exchangeable value or itself has an exchangeable value consequently produces wealth.[b] The only word in which Ganilh shows himself a more profound Mercantilist, is the word *general* labour. The labour of individuals, or rather its product, must take the form of general labour. Only so is it exchange value, *money*. IN FACT, Ganilh comes back to the view that wealth is equivalent to money; though no longer only gold and silver, but the commodity itself, in so far as it is *money*. He says:

"*Commercial system*, or the exchange of values of *general labour*" (l.c., [p.] 98).

This is nonsense. The product is value as the form of existence, as the incarnation of general labour, but not as "the *value* of

[a] Here and below Marx quotes Ganilh in French.—*Ed.*

[b] In his comments on Ganilh Marx uses French words and expressions.—*Ed.*

general labour", which would be equivalent to the value of value. But let us assume that the commodity is constituted as value, and has even taken on the form of money, is metamorphosed. It is now exchangeable value. But how great is its value? All commodities are exchangeable value. They are not different from each other in this. But what makes the exchangeable value of a definite commodity? Here Ganilh does not get beyond the crudest superficiality. A is of greater exchange value when it exchanges for more B, C, D, etc.

Ganilh is quite right when he says of Ricardo and most of the economists that they consider labour without exchange, although their system, like the whole bourgeois system, rests on exchange value. This however is only due to the fact that to them the *form* of product as commodity seems self-evident, and consequently they examine only the *magnitude of value.* In exchange the products of individuals only manifest themselves as products of general labour by taking the form of *money.* This relativity, however, originates from the fact that they must present themselves as the form of existence of general labour, and can be reduced to it only as relative, merely quantitatively different expressions of social labour. But the exchange itself does not give them their *magnitude of value.* In exchange they appear as general social labour; and the extent to which they can appear as general social labour depends on the extent to which they can present themselves as social labour, that is, on the extent of the commodities for which they can be exchanged, and therefore on the expansion of the market, of trade; on the range of commodities in which they can be expressed as exchange value. For example, were there only 4 different branches of production in existence, each of the 4 producers would produce a great part of his product for himself. If there are thousands, then he can produce his total product as commodity. It can enter entirely into exchange.

But Ganilh imagines, with the Mercantilists, that the magnitude of value is itself the product of exchange, whereas in fact it is only the form of value or the form of *commodity* which the products receive through exchange.

"Exchange gives *things* a value which they would not have had without it" (p. 102).

If this means that *things*, use values, only become value, receive this form as relative expressions of social labour, it is a tautology. But if it is intended to mean that through exchange they get a greater value than they would have had without it, it is clearly nonsense, for exchange can only increase A's magnitude of value by reducing that of B. So far as it gives A a greater value than it has before the exchange, it gives B a smaller value. A+B, therefore, has the same value after the exchange as it had before it.

"The most useful products may have no value if exchange does not give any to them",

(*d'abord,* if these things are "products", they are from the start products of labour, not general elemental things provided by nature like air, etc.; if they are "the most useful", they are use values in the highest sense, use values that everyone needs; if exchange gives them *no* value, this is only possible if everyone produces them for himself; this however contradicts [VIII-360] the assumption that they are produced for exchange; therefore the whole proposition is nonsense)

"and the most useless products may have very great value, if exchange is favourable for them" (p. 104).

For Mr. Ganilh, "exchange" is a mystical being. If the "most useless" products are no use for anything, have no use value, who will buy them? They must therefore have at least an imaginary "utility" for the buyer. And if he is not a fool, why should he pay more for them? Their dearness must therefore originate in some circumstance which in any case does not arise from their "uselessness". Their "scarcity", rarity? But Ganilh calls them "the most useless *products*". As therefore they are products, why are they not produced in greater quantities, in spite of their great "exchangeable value"? If before it was the buyer who was a fool, giving a lot of money for something that had neither a real nor an imaginary use value for him, now it is the seller, who does not produce these TRIFLES of great exchange value instead of utilities of small [exchange value]. That their exchange value is great in spite of their small use value (use value determined by the natural needs of man), must therefore be due to some circumstance that originates not from Lord Exchange, but from the product itself. Its high exchange value is therefore not the product of exchange, but only appears in exchange.

"The exchanged value of things and not their exchangeable value establishes the real value, the value which is identical with wealth" (l.c., p. 104).

But exchangeable value is a relation of the thing to other things with which it can be exchanged. //The correct point underlying this statement is: what compels the transformation of the commodity into money is that it has to enter into exchange as an exchangeable value, but only becomes that as the result of exchange.// On the other hand, the exchanged value of A is a definite quantity of products B, C, D, etc. Therefore (according to Mr. Ganilh) it is no longer a value, but a thing, without exchange. B, C, D, etc., were not "values". A has become a value through these non-values stepping into its place (as exchanged value). By the mere change of place—after they have come out of exchange and find themselves in the same position as before—these things have become values.

"It is therefore neither the real utility of things, nor their intrinsic value, which makes them wealth; it is exchange which fixes and determines their value, and it is this value which identifies them with wealth" (l.c., [p.] 105).

Lord Exchange fixes and determines something which was there or was not there. If only exchange creates the value of things, then this value, this product of exchange, ceases to exist as soon as exchange itself ceases. Thus what it makes, it equally unmakes. I exchange A for B+C+D. In the act of this exchange A gets value. As soon as the act is past, B+C+D stands on the side where A was, and A on the side where B+C+D was. And in fact each stands on its own, outside Lord Exchange, who only consisted of this change of place. B+C+D is now things, not values. So is A. Or exchange "fixes and determines" in the literal meaning of the word. A dynamometer determines and fixes the degree of strength of my muscles, but it does not make it. In this case value is not produced by exchange.

"There is in truth no wealth for individuals and for peoples, except when each labours for all"

(that is to say, when his labour takes the form of *general social labour*, for in any other meaning this would be nonsense; since, except in the form of general social labour, an iron manufacturer does not work for all, but *only* for consumers of iron)

"and all for each"

(which again is nonsense, if we are dealing with use value, for the products of all are without exception special products, and each person needs only special products; what this means is therefore only that each special product takes on a form in which it *exists for everyone*; and it only exists in this form, not because as a special product it is distinct from the product of each other person, but because it is identical with it; that is, once more the form of social labour as it exists on the basis of commodity production) (l.c., p. 108).

[VIII-361] From this definition—exchange value=the expression of the labour of the isolated individual as general social labour—Ganilh falls once more into the crudest conception: that exchange value=the proportion in which commodity A exchanges against commodity B, C, D, etc. A has great exchange value if much B, C, D is given for it; but then little A is given for B, C, D. Wealth consists of exchange value. Exchange value consists of the relative proportion in which products exchange for each other. The total quantity of products has therefore no exchange value, since it is not exchanged for anything. Hence, society, whose wealth consists of exchange values, has no wealth. Consequently it follows not only, as Ganilh himself concludes, that

> the "national wealth, which is composed of the exchangeable values of labour" (p. 108),

can never rise and can never fall in exchange value (therefore there is *no surplus value*), but that it has no exchange value whatever, and so is not wealth, since wealth consists only of exchangeable values.

> "If the abundance of wheat makes *its value fall*, the farmers will be less rich, because they have less exchange values to obtain for themselves things that are necessary, useful or pleasant for life; but the consumers of wheat will profit from all that the farmers have lost: the loss of some will be compensated by the gain of others, and the general wealth will undergo no change" (pp. 108-09).

Pardon me! The consumers of wheat eat the wheat and not the exchangeable value of the wheat. They are richer in means of subsistence, but not in exchangeable value. They have exchanged a small amount of their products—which have a high exchange value because of their relative paucity as compared with the quantity of wheat for which they are exchanged—for the wheat. The farmers have now received the *high exchange value* and the consumers a good deal of wheat of small exchange value, so that now the latter are the poor ones and the farmers the rich.

Moreover, the total (the social total of exchange values) loses its nature of being exchange value in the same degree as it becomes the total of exchange values. A, B, C, D, E, F have exchange value in so far as they are exchanged for each other. When they have been exchanged, they are then all products for their consumers, their purchasers. By exchanging hands they have ceased to be exchange value. And thereby the wealth of society, which is composed of exchangeable values, has disappeared. The value of A is relative; it is its exchange relation to B, C, etc. A+B has less exchange value, because its exchange value now exists only in relation to C, D, E, F. But the total of A, B, C, D, E, F has no exchange value at all, because it expresses no relation. The total of commodities is not exchanged for other commodities. Therefore the wealth of society, which consists of exchange values, has no exchange value and is consequently not wealth.

"Hence it is that it is difficult, and perhaps impossible, for a country to enrich itself by internal commerce. It is not at all the same for peoples who engage in foreign trade" (l.c., p. 109).

This is the old Mercantile system. Value consists in my getting not an equivalent, but more than the equivalent. At the same time, however, if there is no equivalent, then this would imply that the value of A and the value of B are determined not by the proportion of A in B or of B in A, but by a third thing in which A and B are identical. But if there is no equivalent, there can also be no excess over the equivalent. I get less gold for iron than iron for gold. Now I have more iron, for which I get less gold. If therefore I gain on the original transaction because less gold=more iron, I now lose just as much because more iron=less gold.

"All labour, whatever be its nature, is productive of wealth provided that it has an exchange value" (l.c., p. 119). "Exchange pays no regard either to the quantity or to the material nature or to the durability of the products" (l.c., p. 121). "All" (kinds of labour) "are *equally productive of the sum* for which they have been exchanged" (pp. 121-22).

First they are equally productive of the *sum*, that is, the *price*, which they have been paid (the *value* of their wages). But Ganilh at once goes another step further. Immaterial labour, he says, produces the material product for which it is exchanged, so that it seems that material labour produces the product of immaterial labour.

[VIII-362] "There is no difference between the labour of the workman who makes a chest of drawers for which he gets two bushels of wheat in exchange and the labour of a village fiddler for which he gets two bushels of wheat. In both cases two bushels of wheat are produced: two bushels to pay for the chest of drawers, and two bushels to pay for the pleasure given by the village fiddler. It is true that after the joiner has consumed the two bushels of wheat, a chest of drawers remains, and after the fiddler has consumed the two bushels of wheat, nothing remains; but how many labours reputed productive are in the same case!.. It is not by what remains after consumption that one can judge whether a labour is productive or sterile, it is by *the exchange or by the production to which it has given rise.* But since the joiner's labour, as well as the fiddler's labour, is *the cause of the production of two bushels of wheat, both are equally productive of two bushels of wheat,* although the one, after it is finished, does not fix and realise itself in any durable object, and the other fixes and realises itself in a durable object" (l.c., pp. 122-23).

"Adam Smith would like to reduce the number of labourers who are not usefully occupied, in order to multiply that of the labourers who are usefully occupied; but no consideration has been given to the fact that if this desire could be realised all wealth would be impossible, because consumers would be lacking for the producers, and the excess that was not consumed would not be reproduced. The productive classes do not give the products of their labours gratuitously *to the classes whose labours do not yield any material products*"

(here he nevertheless himself distinguishes between labours which yield material products and labours which do not);

"they give them to them in exchange for the convenience, the pleasures and the enjoyments that they receive from them, and, *in order to give them to them, they are obliged to produce them.* If the material products of labour were not employed to pay for the labours which do not yield material products, they would not have consumers and their *reproduction* would cease. The labours productive of enjoyment *thus contribute to production as efficaciously* as the labour which is considered to be the most productive" (l.c., [pp.] 123, 124).

"Almost always the convenience, the pleasures or the enjoyments which they" (the peoples) "seek *follow and do not precede the products which are to pay for them*" (l.c., [p.] 125).

(They seem therefore to be much more effect than cause of the products which are to pay for them.)

"The position is different when the labours devoted to pleasure, luxury and ostentation *are not wanted by the productive classes,*"

(thus he himself makes the distinction here)

"and they are nevertheless *forced* to pay for them and to cut down their own requirements by this amount. Then it may come about that this forced payment does not bring about an increase in production" (l.c., p. 125). "Apart from this case ... all labour is necessarily productive, and contributes more or less efficaciously to the formation and growth of the public wealth, because *it necessarily calls forth the products which pay for it*" (l.c., [p.] 126).

//So according to this the "unproductive labours" are productive neither because of their cost, i.e., their exchange value, nor because of the special enjoyment that they produce, i.e., their use value, but because they produce productive labour.//

//If, according to Adam Smith, that labour is productive which is directly exchanged for capital, then we have to consider, apart from the form, also the material components of the capital which is exchanged for labour. It resolves itself into the necessary means of subsistence; that is for the most part into commodities, material things. What the labourer has to pay from these wages to State and Church is a deduction for services which are forced upon him; what he pays out for education is devilishly little, but when he does, his payments are productive, for education produces labour capacity; what he pays out for the services of physicians, lawyers, priests, is his misfortune; there are very few unproductive labours or services left on which the labourer's wages are spent, especially as he himself provides his costs of consumption (cooking, keeping his house clean, generally even repairs).//

The following statement of Ganilh's is extremely characteristic:

"If exchange gives to the servant's labour a value of 1,000 frs, while it gives to that of the husbandman or factory worker only a value of 500 frs, one must conclude from this that the servant's labour contributes to the *production of wealth* twice as much as that of the husbandman and the factory worker; and it cannot be otherwise, as long as the labour of servants receives in payment twice as much in material products as the labour of husbandmen and factory workers. How can it be imagined that wealth results from labour which has less exchange value and which is consequently paid less!" (l. c., pp. 293-94).

[VIII-363] If the wages of the factory or agricultural labourer=500, and the surplus value (profit and rent) created by him=40%, his net product would=200, and 5 such labourers would be required to produce the wages of 1,000 frs for the servant. If instead of the servant Lord Exchange cared to buy a mistress for 10,000 frs annually, the net product of 50 such productive labourers would be required. And because her unproductive labour brings in for the mistress 20 times as much exchange value, wages, as the wages of the productive labourer, this person adds 20 times as much to "the production of wealth", and a country produces the more wealth the higher it pays its servants and mistresses. Mr. Ganilh forgets that only the productivity of manufacturing and agricultural labour, only the surplus created by the productive workers but not paid to them, provides any fund at all for paying the unproductive labourers. But he reckons like this: 1,000 frs wage, and the labour of servant or mistress as equivalent for the wage, make together 2,000 frs. The value of servants and mistresses, i.e., their production costs, depend entirely on the *net product* of the productive labourers. Indeed, their existence as a special breed of people depends on it. Their price and their value have little in common with each other.

But even assuming that the value (the production costs) of a servant is twice as great as that of a productive labourer, it must be observed that the productivity of a labourer (like that of a machine) and his value are entirely different things, which are even in inverse proportion to each other. The value that a machine costs is always a minus in relation to its productivity.

"In vain is the objection raised that if the labour of servants is as productive as that of husbandmen and factory workers, there is no reason why the public economy of a country should not be used to maintain them, not only without being squandered but with a constant increase of value. This objection is only specious because it assumes that the fruitfulness of each labour results from its *co-operation in the production of material objects, that material production is constitutive of wealth and that production and wealth are completely identical.* It is forgotten that *all production only becomes wealth concurrently with its consumption*" //and so the same fellow says one page later "that all labour is *productive* of wealth, in proportion to its exchange value determined by supply and demand" (it *produces* wealth, not in proportion to the exchange value it produces, but in proportion to its own exchange value, i.e., not on the basis of what it produces but of what it costs), "that its respective value only contributes to the accumulation of capitals by *the saving and nonconsumption* of the products that this value is entitled to take out of total production"// "and that exchange determines up to what point it *contributes to the formation of wealth.* If it is remembered that all labours contribute directly or indirectly to the total production of each country, that exchange, in fixing the value of each labour, determines the part that it has had in this production, that *consumption of the production* realises the value that exchange has given it, and that the surplus or deficit of production over consumption determines the state of wealth or poverty of peoples, it will be realised how inconsistent it is *to isolate* each labour, to fix its fertility and its fruitfulness by its *contribution to material production and without any regard to its* [VIII-364] *consumption, which alone gives it a value,* a value without which wealth cannot exist" (l.c., pp. 294-95 [296]).

On the one hand the fellow makes wealth depend on the excess of production over consumption, on the other hand he says that only consumption gives value. And a servant who consumes 1,000 frs consequently contributes twice as much to the giving of value as a peasant who consumes 500 frs.

In the first place he admits that these unproductive labours do not directly participate in the formation of material wealth. Smith does not claim more than this. On the other hand he tries to prove that on the contrary they create material wealth in the same measure as, according to his own admission, they do not. All those who polemise against Adam Smith on the one hand assume a superior attitude to material production, and on the other hand they attempt to justify immaterial production—or even no production, like that of lackeys—as material production. It makes absolutely no difference whether the owner of the net revenue consumes this revenue in lackeys, mistresses or pasties. But it is ludicrous to imagine that the surplus must be consumed by servants and cannot be consumed by productive labourers themselves without the value of the product going to the devil. With Malthus too we find the same view of the necessity of unproductive consumers—which necessity in fact exists when the surplus comes into the hands of *gens oisifs.*[a] [40]

//*Adam Smith. Value and Its Component Parts.* Smith's erroneous conception, see above, which he [develops] in spite of his originally correct view,[41] is shown also in the following passage:

"Rent ... enters into the composition of the price of commodities in a different way from wages and profit. High or low wages and profit are the *causes* of high or *low price of corn; high or low rent is the effect of it*" (*Wealth of Nations,* B. I, Ch. XI).[42]//

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[a] Idlers.—*Ed.*

//*Petty*. The following passage, where rent in general is treated as a surplus value, a net product, should be compared with the one quoted above from Petty[a]:

"Suppose a man could with his own hands plant a certain scope of land with corn, that is, could plough, sow, harrow, reap, carry home, and winnow so much as the husbandry of this land required. I say, that when this man hath subducted his seed out of the proceed of his harvest, and also what himself hath both eaten and given to others in exchange for clothes, and other natural necessaries; that the remainder of corn is the natural and true rent of the land for that year; and the *medium* of seven years, or rather of so many years as makes up the cycle, within which dearths and plenties make their revolution, doth give the ordinary rent of the land in corn. But a further, though collateral question may be, how much money this corn or rent is worth; I answer so much as the money, which another single man can save, ... if he employed himself *wholly* to produce and make it; viz. let another man go travel into a countrey where is silver, there dig it, refine it, bring it to the same place where the other man planted his corn: coyne it, etc. the same person, all the while of his working for silver, gathering also food for his necessary livelihood, and procuring himself covering, etc. I say, the silver of the one must be esteemed of equal value with the corn of the other" (*Traité des taxes*,[43] pp. 23 [-24]).//

Ganilh claims to have put forward a theory in his *Théorie de l'économie politique* (a book I don't know) which Ricardo later copied from him.[44] This theory is that wealth depends on net product and not on gross product, and thus on the level of PROFIT and RENT. (This is certainly not a discovery of Ganilh's, who distinguishes himself, however, by the way he puts it.)

SURPLUS VALUE presents itself (has its real existence) in a SURPLUS PRODUCE in excess of the quantity of products which only replace its original elements, that is, which enter into its production costs and—taking constant and variable capital together—are equal to the total capital advanced to production. The aim of capitalist production is the surplus, not the product. The labourer's necessary labour time, and therefore also the equivalent in the product with which it is paid for, is only necessary as long as it produces surplus labour. Otherwise it is *unproductive* for the capitalist.

The surplus value is equal to the rate of surplus value $\frac{s}{v}$ multiplied by the number of simultaneous days' labour or the number of employed labourers, that is, by n. So $S=\frac{s}{v}\times n$. This surplus value can therefore be increased or reduced in two ways.

[a] See this volume, pp. 78-79.—*Ed.*

For example, $\frac{s}{\frac{v}{2}} \times n$ is equal to $\frac{2s}{v} \times n = 2S$. Here S [VIII-365] has doubled, because the rate has doubled, since $\frac{s}{\frac{v}{2}}$ is $\frac{2s}{v}$, is twice as much as $\frac{s}{v}$. On the other hand, however $\frac{s}{v} \times 2n$ would also be equal to $\frac{2sn}{v}$, that is, also$=2S$. V, the variable capital, is equal to the price of the single day's labour multiplied by the number of labourers employed. If 800 labourers are employed, each costing £1, then $V=£800=£1\times800$, where $n=800$. Then if the surplus value is 160, its rate would be $\frac{160}{£1\times800} = \frac{160}{800} = \frac{16}{80} = \frac{1}{5} = 20\%$. But the surplus value itself is $\frac{160}{£1\times800}\times800$, that is, $\frac{£S}{£1\times n}\times n$.

With a given length of labour time, this surplus value[a] can only be doubled by a double growth of productivity, or at a given level of productivity, by a lengthening of the labour time.

But what concerns us here is: $2S = \frac{s}{\frac{v}{2}} \times n$; and $2S = \frac{s}{v} \times 2n$.

The surplus value (GROSS AMOUNT of surplus value) remains the same, if the number of labourers is reduced by half—is only n instead of $2n$, but the surplus labour performed by them each day is twice as much as it was before. On this assumption, therefore, two things would remain the same: first, the total quantity of products produced; secondly, the total quantity of SURPLUS PRODUCE or net product. But the following would have changed: first, the variable capital, or the part of the circulating capital expended in wages, would have fallen by half. The part of the constant capital which consists of raw materials would ditto remain unchanged, as the same quantity of raw material as before would be worked up, although this would be done by half the labourers employed before. As against this, the part which consists of fixed capital has increased.

If the capital expended in wages=£300 (£1 per labourer), it would now=£150. If that expended in raw materials=£310, it

[a] The manuscript has "rate of surplus value".—*Ed.*

would now=£310. If the value of the machinery=4 times as much as the rest of the capital, it would now=1,600.[45] Therefore if the machinery is worn out in 10 years, the machinery entering annually into the product would=£160. We will assume that the capital previously expended annually on instruments=£40, thus only $^1/_4$. Then the account would stand:

	Machinery	Raw material	Wages	Total	Surplus value	Rate of profit	Total product
Old capital	40	310	300	650	150 or 50%	$23\,^1/_{13}$%	800
New capital	160	310	150	620	150 or 100%	$24\,^6/_{31}$%	770

In this case the rate of profit has risen, because the total capital has decreased—the capital expended in wages has fallen by [£]150, the total value of the fixed capital has only risen by [£]120, and so in all £30 less than before is expended.

But if the £30 left over is again employed in the same way, $^{31}/_{62}$ (or $^1/_2$) in raw material, $^{16}/_{62}$ in machinery and $^{15}/_{62}$ in wages, the result would be:

Machinery	Raw material	Wages	Surplus value
£7.14.6	£15	£7.5.6	£7.5.6

and taking both together:

	Machinery	Raw material	Wages	Surplus value	[Rate of] profit
New capital	£167.14.6	£325	£157.5.6	£157.5.6	$24\,^6/_{31}$%

Total amount of capital expended: *£650* as before. *Total product* £807.5.6.

The total value of the product has risen; the total value of the capital expended has remained the same; and not only the value, but the amount of the total product has risen, since an additional £15 in raw materials has been transformed into the product.

[VIII-366] "When a country is deprived of the aid of machines, and its labour is carried out by hand, the labouring classes consume almost the whole of their production. To the degree that industry makes progress, is improved by the division of labour, the skill of the workmen, and the invention of machines, the costs of production diminish, or in other words, a smaller number of labourers is required to obtain a greater production" ([Ch. Ganilh, *Des systèmes d'économie politique*, Paris, 1821,] Vol. I, pp. 211-12).

That is to say, therefore, in the same degree as industry becomes more productive, the production costs of wages are reduced. Fewer labourers are employed in relation to the product, and these therefore also consume a smaller part of the product. If a labourer without machinery needs 10 hours to produce his own means of subsistence, and if with machinery, he only needs 6, then (with 12 hours' labour) in the first case he works 10 for himself and 2 for the capitalist, and the capitalist gets $^1/_6$ of the total product of the 12 hours. In the first case 10 labourers will produce a product for 10 labourers (=100 hours) and 20 for the capitalist. Of the value of 120, the capitalist gets $^1/_6$=20. In the second case, 5 labourers will produce a product for 5 labourers (=30 hours), and for the capitalist 30 hours. Of the 60 hours the capitalist now gets 30, that is, $^1/_2$—3 times as much as before. The total surplus value too would have risen, namely from 20 to 30, by $^1/_3$. When I appropriate $^1/_2$ of 60 days, this is $^1/_3$ more than when I appropriate $^1/_6$ of 120 days.

Moreover, the $^1/_2$ of the total product that the capitalist gets is also greater in quantity than before. For 6 hours now produce as much product as 10 did before; 1 as much as $^{10}/_6$, or 1 as much [as] $1\,^4/_6=1\,^2/_3$ [before]. So the 30 surplus hours contain as much product [as did previously] 30 $(1+^2/_3)=30+^{60}/_3=50$. 6 hours produce as much product as 10 did previously, that is, 30—or 5×6—produce as much as 5×10 did before.

The capitalist's surplus value would therefore have risen and also his surplus product (if he consumes it himself, or as much of it as he consumes *in natura*). The surplus value can even rise without the quantity of the total product being increased. For the increase of surplus value means that the labourer is able to produce his means of subsistence in less time than before, that therefore the value of the commodities he consumes falls, represents less labour time, and that therefore a certain value=6 hours, for example, represents a greater quantity of the use values than before. The labourer receives the same quantity of product as before, but this quantity forms a smaller part of the total product, as its value expresses a smaller part of the fruits of the day's labour. Although an increase in productive power in the branches of industry whose product NEITHER directly nor indirectly enters into the formation of the labourer's means of consumption could not have this result—since increased or reduced productivity in these branches does not affect the relation between the necessary and the surplus labour—the result for these industries would nevertheless be the same, although it did not originate from a change in their own productivity. The relative value of their products would rise in exactly the same proportion as that of the other commodities had fallen (if their own productivity had remained the same); consequently, a proportionately smaller aliquot part of these products, or a smaller part of the labour time of the labourer which is materialised in them, would procure for him the same quantity of means of subsistence as before. The surplus value would therefore rise in these branches of labour just as in the others. But what will then become of the 5 displaced labourers? It will be said that capital has also been released, namely, that which paid the 5 dismissed workers, who each received 10 hours (for which they worked 12), that is, 50 hours in all, which could previously have paid the wages of 5 labourers and which [now] that wages have fallen to 6 hours can pay for $^{50}/_{6}=8\,^{1}/_{3}$ days' labour. Therefore now the capital of 50 hours' labour that has been released can employ more labourers than have been dismissed. But a capital equivalent to the whole 50 hours' labour has not been released. For even assuming that the raw material has become cheaper in the same proportion as the increase in the quantity of it that is worked up in the same labour time—that is, assuming that the same increase of productive power has taken place in that branch of production—the outlay for the new machinery nevertheless remains. Assuming that this costs exactly 50 hours' labour, it has certainly in no case employed as many labourers as were put off. For this 50 hours' labour was laid out entirely in wages, for 5 labourers. But in the value of the machine, equivalent to 50 hours' labour, both profit and wages are contained, both paid and unpaid labour time. In addition, constant capital enters into the value of the machine. The number of machine-building labourers is smaller than the number of labourers discharged; nor are they the same individuals [VIII-367] as those discharged. The greater demand for labourers in machine building can at most affect the future distribution of the number of labourers, so that a larger part of the generation entering the labour market—a larger part than before—turns to that branch of industry. It does not affect those who have been discharged. Moreover the increase in the annual demand for these is not equal to the new capital expended on machinery. The machine lasts for example for 10 years. The constant demand which it creates is therefore equal annually to $^{1}/_{10}$ of the wages contained in it. To this $^{1}/_{10}$ must be added labour for repairs during the 10 years, and the daily consumption of coal, oil and other *matériaux instrumentaux* in general; which in all amounts perhaps to another $^{2}/_{10}$.

//If the capital released were equal to 60 hours, these would now represent 10 hours' surplus labour and only 50 necessary labour. Thus if previously the 60 hours had been expended in wages and 6 labourers had been employed, now it would be only 5.//

//The shifting of labour and capital which increased productive power in a particular branch of industry brings about by means of machinery, etc., is always only prospective. That is to say, the *increase, the number of new labourers flowing into industry,* is distributed in a different way; perhaps the children of those who have been thrown out, but not these themselves. They themselves vegetate for a long time in their old TRADE, which they carry on under the most unfavourable conditions, inasmuch as their necessary labour time is greater than the socially necessary labour time; they become paupers, or find employment in branches of industry where a lower grade of labour is employed.//

//A pauper, like a capitalist (*rentier*), lives on the revenue of the country. He does not enter into the production costs of the product, and consequently, according to Mr. Ganilh, is a representative of exchangeable value. Ditto, a criminal who is fed in prison. A large part of the "unproductive labourers", holders of State sinecures, etc., are simply respectable paupers.//

//Assume that the productivity of industry is so advanced that whereas earlier $^2/_3$ of the population were directly engaged in material production, now it is only $^1/_3$. Previously $^2/_3$ produced means of subsistence for $^3/_3$; now $^1/_3$ produce for $^3/_3$. Previously $^1/_3$ was net revenue (as distinct from the revenue of the labourers), now $^2/_3$. Leaving contradictions out of account, the nation would now use $^1/_3$ of its time for direct production, where previously it needed $^2/_3$. Equally distributed, all $^3/_3$ would have more time for unproductive labour and leisure. But in capitalist production everything seems and in fact is contradictory. The assumption does not imply that the population is STAGNANT. For if the $^3/_3$ grow, so also does the $^1/_3$; thus, *measured in quantity,* a larger number of people could be employed in productive labour. But relatively, in proportion to the total population, it would always be 50% less than before. Those $^2/_3$ of the population consist partly of the owners of profit and rent, partly of unproductive labourers (who also, owing to competition, are badly paid). The latter help the former to consume the revenue and give them in return an equivalent in SERVICES—or impose their services on them, like the political unproductive labourers. It can be supposed that—with the exception of the horde of flunkeys, the soldiers, sailors, police, lower officials and so on, mistresses, grooms, clowns and jugglers—these unproductive labourers will on the whole have a higher level of culture than the unproductive workers had previously, and in particular that ill-paid artists, musicians, lawyers, physicians, scholars, schoolmasters, inventors, etc., will also have increased in number.

Within the productive class itself commercial MIDDLEMEN will have multiplied, but in particular those engaged in machine construction, railway construction, mining and excavation; moreover, in agriculture labourers engaged in stock-raising will have increased in number, and also those employed in producing chemical and mineral materials for fertilisers, etc. Further, the farmers who grow raw materials for industry will have risen in number, in proportion to those producing means of subsistence; and those who provide fodder for cattle, in proportion to those who produce means of subsistence for people. *As the constant capital grows, so also does the proportionate quantity of the total labour which is engaged in its reproduction.* Nevertheless, the part directly producing means of subsistence, although its number declines, [VIII-368] produces more products than before. Its labour is more productive. *While for the individual capital the fall in the variable part of the capital as compared with the constant part* takes the direct form of a reduction in the part of the capital expended in wages, for the total capital—in its *reproduction*—this necessarily takes the form that a relatively greater part of the total labour employed is engaged in the reproduction of means of production than is engaged in the production of products themselves—that is, in the reproduction of machinery (including means of communication and transport and buildings), of *matières instrumentales* (coal, etc., gas, oil, tallow, leather belting, etc.) and of plants which form the raw material for industrial products. Relatively to the manufacturing labourers, agricultural labourers will decline in number. Finally the luxury labourers will increase in number, since the higher revenue will consume more luxury products.//

//The variable capital is resolved into revenue, firstly wages, secondly profit. If therefore capital is conceived as something contrasted with revenue, the constant capital appears to be capital *proper*: the part of the total product that belongs to production and enters into the production costs without being individually consumed by anyone (with the exception of draught cattle). This part may originate entirely from profit and wages. In the last analysis, it can never originate from these alone; it is the product of labour, but of labour which regarded the instrument of production itself as revenue, as the savage did the bow. But once transformed into constant capital, this part of the product is no longer resolvable into wages and profit, although its reproduction yields wages and profit. A part of the product belongs to this part. Each subsequent product is the product of this past labour and of present labour. The latter can only be continued in so far as it returns a part of the total product to production. It must replace the constant capital *in natura*. If it grows more productive, it replaces the product, but not its value, reducing this value *post festum*.[a] If it grows less productive, it raises its value. In the first case the aliquot part drawn by past labour from the total product falls; in the second case it rises. In the first case the living labour becomes more productive, in the second, less productive.//

//The factors which reduce the costs of the *constant capital*, also include improved raw materials. For example, it is not possible to make the same quantity of twist in the same time both from good and from bad raw cotton, leaving entirely out of account the relative quantity of waste, etc. Hence the importance of the quality of seed, etc.//

//As an example *combination* where a manufacturer himself makes a part of his former constant capital, or where previously the raw material passed as constant capital out of his sphere of production into a second sphere, and he now himself gives it the second form—this always only amounts to a concentration of profits, as was shown earlier.[b] [26] An *example* of the first: the linking together of spinning and weaving. *An example of the second*: the mineowners of Birmingham, who took over the *complete* process of making iron, which had formerly been divided between a number of entrepreneurs and owners.//

Ganilh continues:

"So long as the division of labour is not established in all branches, so long as all classes of the labouring and industrious population have not attained their full development, the invention of machines, and their employment in certain industries, only cause the capitals and labourers displaced by the machines to flow into other employments which can usefully emloy them. But it is evident that when all branches of employment have the capital and the labourers they require, every further improvement and every new machine that cuts down labour, necessarily reduces the labouring population; and as this reduction does not diminish production, the part which it leaves available accrues either to the profit of capitals or to the rent of land; and in consequence the natural and necessary effect of machines is to diminish the population of the wage-earning classes who live on the gross product, and to increase the population of the classes which live on the net product" (l.c., p. 212).

[a] As a result.—*Ed.*

[b] See this volume, pp. 55-59.—*Ed.*

[VIII-369] "*The displacement of the population* of a country, *a necessary consequence of the progress of industry*, is the true cause of the prosperity, the power and the civilisation of modern peoples. The more the lower classes of society decrease in number, the less need it be troubled by the dangers to which the distress, the ignorance, the credulity and the superstition of these unfortunate classes ceaselessly expose it; the more the upper classes multiply, the more subjects the State has at its disposal, the stronger and more powerful it is, the more knowledge, intelligence and civilisation there is in the whole population" (l.c., p. 213).

//*Say* makes the total value of the product resolvable into revenue in the following way: in the Constancio translation of Ricardo's [*Principles*], Ch. 26, he says in a note:

"The net revenue of an individual consists of the value of the *product* to which he has contributed ... less his disbursements; but as the disbursements that he has made are *portions of revenue* which he has paid to others, *the totality of the value of the product has served to pay revenues*. The total revenue of a nation is composed of its gross product, that is to say, of the gross value of all its products which are distributed among the producers." [46]

The last sentence would be correct if expressed in this way: The total revenue of a nation is composed of that part of its gross product, that is to say, of the gross value of all the products which are distributed as revenues among the producers, that is to say, less that portion of all the products which in each branch of industry had replaced the means of production.[a] But so expressed, the sentence would negate itself.

Say continues:

"This value, after many exchanges, would be entirely consumed in the year which saw its birth, but it would nonetheless be still the revenue of the nation; just as an individual who has 20,000 frs annual revenue has nonetheless 20,000 frs annual revenue, although he consumes it entirely each year. His revenue does not consist only of his savings."

His revenue never consists of his savings, although his savings always consist of his revenues. To prove that a nation can annually consume both its capital and its revenue, Say compares it to an individual who leaves his capital intact and only consumes his revenue each year. If this individual consumed in a single year both his capital of 200,000 frs and the revenue of 20,000, he would have nothing to eat the year after. If the entire capital of a nation, and consequently the entire gross value of its products, resolved into revenues, Say would be right. The individual consumes his 20,000 frs revenue. His 200,000 frs capital, which he does not consume, would be composed of the revenues of other individuals, each of whom consumes his share, and thus, at the end of the year, the whole capital would be consumed. But

[a] Marx comments Say's quotations in French.—*Ed.*

perhaps it would be reproduced while it is consumed, and thus replaced? But the individual in question reproduces annually his revenue of 20,000 frs, because he has not consumed his capital of 200,000 frs. The others have consumed this capital. Then they have no capital with which to reproduce revenue.//[a]

"Only the *net product*," says Ganilh, "and those who consume it form its" (the State's) "wealth and its power, and contribute to its prosperity, its glory and its grandeur" (l.c., p. 218).

Ganilh further cites Say's notes to Constancio's translation of Ricardo's [*Principles*], Ch. 26, where Ricardo says that if a country has 12 million [inhabitants], it would be more advantageous for its wealth if 5 million productive labourers labour for the 12 million, than if 7 million productive labourers labour for the 12 million. In the first case the net product consists of the SURPLUS PRODUCE on which the 7 million who are not productive live; in the other, of a surplus produce for 5 million. Say remarks on this:

"This is quite like the doctrine of the Economists of the eighteenth century,[6] who maintained that manufactures in no way helped towards the wealth of the State, because the *wage-earning class*, consuming a [VIII-370] value equal to that which they produce, contribute nothing to their famous net product" [p. 219].

On this, Ganilh observes (pp. 219-20):

"It is not easy to see any connection between the Economists' assertion *that the industrial class consumes a value equal to that which it produces* and the doctrine of Mr. Ricardo, *that the wages of labourers cannot be counted in the revenue of a State*."

Here too Ganilh misses the point. The Economists go wrong in regarding the manufacturers as only *wage-earning classes*. This distinguishes them from Ricardo. They are further wrong in thinking that the *wage-earners* produce what they consume. The correct view, as Ricardo in contrast to them knew very well, is that it is they who produce the net product, but produce it precisely because their consumption, that is to say their wage, is equal not to the time they labour, but to the labour time that they have put in to produce this wage[b]; that is, that they receive a share of their product only equal to their necessary consumption, or that they receive only as much of their own product as is equivalent to their own necessary consumption. The Economists assumed that the whole industrial class (*maîtres et ouvriers*[c]) was in this position. They considered that only rent bore the character of an excess of production over wages, and consequently that it was the only

[a] Marx comments Say's quotations in French.—*Ed.*

[b] The part of the sentence, from the words "because their consumption", is written by Marx in French.—*Ed.*

[c] Masters and workmen.—*Ed.*

wealth. But when Ricardo says that PROFITS and RENTS form this excess and are consequently the only wealth, in spite of his difference from the Physiocrats, he agrees with them in thinking that only the net product, the product in which the SURPLUS VALUE exists, forms the national wealth; although he has a better understanding of the nature of this SURPLUS. For him, too, it is only the part of the revenue which is in excess of wages. What distinguishes him from the Economists is not his explanation of the net product, but his explanation of wages, under which category the Economists wrongly also include PROFITS.

Say also remarks in opposition to Ricardo:

"From seven million fully employed labourers there would be more savings than from five million."[47]

Ganilh rightly observes, refuting this:

"That is to suppose that *economies from wages* are preferable to the *economy which results from the reduction of wages*.... It would be too absurd to pay 400 millions in wages to labourers who give no net product, in order to provide them with the opportunity and the means for making economies on their wages" (l.c., [p.] 221).[48]

"With every step made by civilisation, labour becomes less burdensome and more productive; the classes condemned to produce and to consume diminish; and the classes which direct labour, which relieve (!), console (!) and enlighten the whole population, multiply, *become more numerous* and appropriate to themselves all the benefits which result from the diminution of the costs of labour, from the abundance of products and the cheapness of consumer goods. In this way, the human race lifts itself up.... Because of this *progressive tendency to the diminution of the lower classes of society* and *the increase of the upper classes* ... civil society becomes more prosperous, more powerful," etc. (l.c., p. 224). "If ... the number of labourers employed is 7 millions, the wages will be 1,400 millions; but if the 1,400 millions do not yield a larger net product than the thousand millions paid to the five million labourers, *the real economy would be in abolishing the 400 millions in wages paid to two million labourers who yield no net product*, and not in the savings that these 2 million labourers could make from the 400 millions of wages" (l.c., p. 221).

In Chapter 26 Ricardo observes[a]:

"*Adam Smith* constantly magnifies the advantages which a country derives from a large gross, rather than a large net income.... What would be the advantage resulting to a country from the employment of a great quantity of productive labour, if, whether it employed that quantity or a smaller, its net rent and profits together would be the same?... Whether a nation employs 5 or 7 million productive labourers [VIII-371] to produce the net revenue on which 5 million others live, ... the food and clothing of these 5 millions would be still the net revenue. The employing of a greater number of men would enable us neither to add a man to our army and navy, nor to contribute one guinea more in taxes" (l.c., p. 215).[b49]

This reminds us of the ancient Germans, of whom one part in turn took the field and the other cultivated the field. The smaller

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[a] See this volume, p. 116.—*Ed.*

[b] Marx quotes Ricardo partly in French, partly in German.—*Ed.*

the number that was indispensable for cultivating the field, the greater the number who were able to war. It would not have helped them if the number of people had increased by $^1/_3$, so that instead of 1,000 they had 1,500, if 1,000 were then required to cultivate the field while previously it was 500. Their disposable forces would have consisted of only 500 men both before and after. If on the other hand the productive power of their labour had increased, so that 250 sufficed to cultivate the field, 750 of the 1,000 could have taken the field, whereas in the opposite case, it would be only 500 out of the 1,500.

First it should be noted here that Ricardo means by net revenue or net product not the excess of the total product over the part of it that must be returned to production as means of production, raw materials or instruments. On the contrary, he shares the false view that the gross product consists of gross revenue. By net product or net revenue he means the surplus value, the excess of the total revenue over the part of it that consists of wages, of the revenue of the labourers. This revenue of the labourer, however,=the variable capital, the part of the circulating capital which he is constantly consuming and constantly reproducing as the part of his production which he himself consumes.

If Ricardo treats the capitalists as not entirely useless, that is to say, as themselves agents of production, and therefore resolves a part of their profit into wages, he has to deduct a part of their revenue from the net revenue and to declare that all these persons only contribute to wealth in so far as their wages form the smallest possible part of their profit. However that may be, at least a part of their time as agents of production belongs, like a FIXTURE, to production itself. And to this extent they cannot be used for other purposes of society or of the State. The more free time their duties as MANAGERS of production leave them, the more is their profit independent of their wage. In contrast to these, the capitalists who live only on their interest, and also the landlords who live on rent, are in person entirely at the disposal [of society and the State], and no part of their income enters into the production costs—except for that part which is used for the reproduction of their own worthy person. Ricardo should therefore have also desired, in the interests *of the State*, a growth of rent (the pure net revenue) at the cost of profits; but this is not at all his viewpoint. And why not? Because it hinders the accumulation of capitals [or]—what is in part the same thing—because it increases the number of unproductive labourers at the cost of the productive.

Ricardo fully shares Adam Smith's view of the distinction between productive and unproductive labour, that the former exchanges its labour directly for capital, [the latter] directly for revenue. But he no longer shares Smith's tenderness for and illusion about the productive labourer. It is a misfortune to be a productive labourer. A productive labourer is a labourer who produces wealth *for another.* His existence only has meaning as such an instrument of production for the wealth of others. If therefore the same quantity of wealth for others can be created with a smaller number of productive labourers, then the suppression of these productive labourers is in order. *Vos, non vobis.*[50] Ricardo, incidentally, does not think of this *suppression* as Ganilh does—that through mere suppression the revenue increases and that what was *formerly* consumed *as variable capital* (that is, in the form of wages) would then be consumed *as revenue.* With the diminution in the number of productive workers also disappears the amount of product which those who have been discharged themselves consumed and themselves produced—their equivalent. Ricardo does not assume, as Ganilh does, that the same quantity of products as before is produced; but the same quantity of net product. If the labourers consumed 200 and their SURPLUS was 100, the total product was 300, and the surplus was $^1/_3$=100. If the labourers consume 100 and their SURPLUS is 100 as before, the total product=200 and the surplus=$^1/_2$=100. The total product would have fallen by $^1/_3$—by the quantity of products consumed by the 100 workers, and the net [VIII-372] product [would have] remained *the same,* because $^{200}/_2$=$^{300}/_3$. For Ricardo, therefore, the amount of the gross product does not matter, provided that that portion of the gross product which constitutes the net product remains the same or grows, but in any case does not diminish.[a]

So he says[51]:

"To an individual with a capital of 20,000 *l.*, whose profits were 2,000 *l.* per annum, it would be a matter quite indifferent whether his capital would employ a 100 or a 1,000 men, whether the commodity produced, sold for 10,000 *l.*, or for 20,000 *l.*, provided, in all cases, his profits were not diminished below 2,000 *l.* Is not the real interest of the nation similar?[b]"

First of all,[52] if capital=£20,000 and the annually sold products=£20,000 (whether capital uses 100 OR 1,000 MEN), it is not clear where the annual profit of £2,000 can come from; for this profit=the excess of the value of the total product over the

[a] The part of the sentence, from the words "provided that", is written by Marx in French.—*Ed.*

[b] In the French quotation the last sentence is omitted.—*Ed.*

value of the capital advanced, and the excess of 20,000 over 20,000=0. We must therefore change the assumption, first of all, and let the man who advances 20,000 capital sell the annual product for £22,000, if he is to make an annual profit of £2,000.

Second, as far as the second hypothesis is concerned, that the capital=£20,000, the annually sold commodities=£10,000, and nevertheless a profit of £2,000 is made, that is only possible if the £10,000 worth of commodities represent (1) depreciated machinery, (2) used-up raw materials, (3) wages, (4) a profit of 10% over and above the total sum of capital advanced (and thus not only over and above the wages advanced). In this case, we can no longer assume, as in the first one, that the magnitude of capital advanced and the magnitude of capital consumed in production are identical. As the £10,000 worth of commodities constitute the total annual product, it is clear that £10,000, or half of the capital, was fixed capital, which entered into the labour process but not into the valorisation process. This £10,000 cannot however constitute the whole of the fixed capital advanced, since part of it, say $^1/_{12}$ of the fixed capital, goes into the product as wear and tear, or the reproduction time of the fixed capital=12 years. To work with round figures, assume that the reproduction time=11 years. The total fixed capital advanced then=£11,000, of which $^1/_{11}$,=£1,000, goes into the commodities. Of the £10,000 worth of commodities, 1,000 represent the wear and tear of fixed capital, and 9,000 raw materials and newly added labour (wages and profit). Of these 9,000, let 2,000=profit. 7,000 would thus be left for raw material and wages. Assume that, out of this 7,000, 5,000 are for raw materials and 2,000 for wages. The total sum of added labour then=£4,000, and since 100 workers must be engaged, from whose labour a profit of 100% is made, the workers will receive £20 each (£20×100=2,000). Each worker worked 6 hours for himself and 6 hours for the capitalist. The part of the capital that would equal added labour=100 working days (each working day of the length of a year), of which one half would consist of paid labour and the other of unpaid labour. The calculation would now be as follows:

Total capital	Fixed capital	Wear and tear of fixed capital	Raw material	Wages	Surplus value	Total product	Profit
£20,000	11,000	£1,000	£5,000	£2,000/100 working days	£2,000	£10,000	2,000 or 10%

Assuming that the working day=£40 (paid and unpaid labour), the total product (10,000) would then consist of *250 working days* (of which 100 would represent newly added labour).

Now, to stay with the first example, Ricardo tells us here that the product=£20,000, and thus=500 working days. We learn further that the capitalist employs 1,000 men instead of 100, hence ten times as many. That would yield £20,000, assuming that the wages for one man=£20. With this, the whole capital would be exhausted, without a centime for raw material and fixed capital. The trick cannot be turned in this way.

[VIII-373] One of the main difficulties here is that Ricardo indicates the values only in the amounts of labour employed and not in proportion to the gross product that is produced in each case. The one sells his product for £20,000, the other for £10,000. If this example is to have general validity, the product in one case must, according to the law of values, contain twice as much labour time as in the other, so that 2 times as many working days are concealed in £20,000 as in £10,000. Now, the one employs 10 times as many workers as the other. Variable capital is in one case 10 times as great as in the other. So in the total product of 20,000 is concealed 10 times as much living labour time as in the total product of 10,000. If the first capital contained, in the same proportion, more constant capital (past working days) as it contains more living labour, it would be 10 times, not 2 times, greater than the second.

The *presuppositions* in the illustrations must not be self-contradictory. They must therefore be formulated in such a way as to be *real* presuppositions, real hypotheses, and not assumed absurdities or hypothetical unrealities and impossibilities.

P^1=£20,000=$2P^2$=£10,000. P^1 contains 1,000 days of living labour time+a certain amount of past labour time. P^2 contains 100 days of living labour time+a certain amount of past labour time.

The whole example, as presented by Ricardo, contradicts itself, it is absurd and impossible (especially if we assume, as we must in any general example, that neither of the two sells his commodities above their value, so that the product sold for 20,000, will contain precisely twice as much labour time as the product sold for 10,000. If we assume that Capital No. II computes the profit from its advanced capital independently from the value of its product, we lose our footing entirely).

[VIII-374] According to one of Ricardo's assumptions, 100 workers produce £2,000 of surplus value. Assuming that the whole of the working day (12 hours)=£20, the *value* of the total labour of these 100 workers would only=£2,000. But since their wages are paid from this value, while surplus value consists only of the unpaid part of the working day, the value of a working day must therefore be reckoned higher than £20, if surplus value alone=2,000. Let us therefore set it at £30. Assume something entirely fantastic, that the wages only=£10 a year, $^1/_3$ of the total labour time. In this case the value of 100 working days=30×100=3,000, the value of the wages=10×100=1,000, and surplus value (the value of the unpaid labour)=2,000.

In the other CASE, Ricardo assumes 1,000 workers. Setting the value of a whole working day at £30, as in the first example, the objectified labour alone of these 1,000 workers would=£30,000. But Ricardo now assumes that the value of the total product only=£20,000. Under all circumstances his illustration [is] therefore absurd. To make the 2nd CASE possible, the value of the total working day must be *more* than £20. But if it is 1 centime more than £20, the product of 1,000 workers (excluding constant capital contained in it) cannot=£20,000—it must be more.

We must therefore either increase the value of the capital (which is unacceptable, as the illustration rests on the fact that in both cases capitals of *equal* value, i.e., £20,000, are employed) or change the number of workers. Consider the latter operation (otherwise we should even have to increase the capital in CASE II). Assume, for instance, that capital I employs 500 workers instead of 1,000. The value of 500 workers at £30 per working day=15,000. This represents, however, a surplus value of only 2,000=$^2/_{15}$ of 15,000 or 13$^1/_3$%. Or, if the wages=11,000, surplus value would=2,000=$^2/_{11}$ or 18$^2/_{11}$%.

Or, to operate with round figures and direct relations, assume that capital I employs 400 workers. So, if a working day=£30, 400 working days=400×30=£12,000, of which surplus value= =£2,000. The wages thus=10,000. And surplus value is now $^1/_5$ in relation to wages or $^1/_6$ of the total working day; wages [make up] $^5/_6$ of the whole. In the above, surplus value [was assumed to be] 2 times greater than wages, or $^2/_3$ of the total working day and the total product, whereas the wages [were set at] $^1/_3$ of the total. The latter [was] $^2/_6$ of the whole, surplus value, $^4/_6$ of the whole. A difference in wages conditioned by the difference in the productivity of workers is here assumed arbitrarily, for otherwise the surplus value could not have been 2,000 for £1,000 in the first case, and in the second it could not have been 2,000 for 4 times more workers with the wages of 10,000. It is assumed here that workers are paid in their own product.

The worker of II thus processes as much raw material in 4 hours as the other in 10 (as much in $^1/_3$ or $^2/_6$ of a day as the other in $^5/_6$ of a day). Thus he processes in 2 hours (or in $^2/_{12}$ of a day) as much as the other in 5 hours ($^5/_{12}$), or as much in 1 hour as the other in $2^1/_2$. Assuming that worker II processes 1 lb. of cotton in 4 hours he will process $^1/_4$ lb. in 1 hour and $^{12}/_4$ lb. or 3 lbs in 12 hours.

Then, if worker I processes 1 lb. of cotton in 10 hours, he will process $^1/_{10}$ lb. in 1 hour and $^{12}/_{10}$ lb. in 12 hours,or $1^2/_{10}=1^1/_5$ lbs. Worker II produces 3 lbs in 1 working day, and 100 working days of II produce 300 lbs.

Worker I produces $1^1/_5$ lbs in 1 working day, and 400 workers produce ($400+{}^{400}/_5$ lbs)=480 lbs.

The raw material which one (I) processes in one working day is in a proportion of $1:2^1/_2$ to what the other (II) processes in 1 day. But there are 4 working days in I where there is 1 working day in II. 100 workers in II produce 300 lbs, while 100 in I produce only 120. $120:300=1:2^1/_2$. However, although the product in I is $2^1/_2$ less, in relation to labour time, than in II, the GROSS AMOUNT is greater, for in I 4 times as many workers are employed as in II. We must therefore distinguish between proportional products (comparable products of a *single working day*) in both classes and absolute quantities (i.e., the amount of products as determined by the products of a single working day×by the number of working days or the number of workers employed). The proportional product in I is to [the proportional product in] II as $1:2^1/_2$. But since there are four times as many working days in I or four times as many [VIII-375] workers employed as in II, the proportion of absolute magnitudes$=4:2^1/_2$, or$={}^8/_2:{}^5/_2=8:5$. The capital employed in I and II for raw materials (in both *cases the same raw material and of the same value*) must therefore be in the relation=8:5. So if I processes £7,000 worth of raw material, II [processes] 4,375 worth of it. Now I expends 10,000 on wages, and 7,000 on raw material; of the capital of 20,000 there now remains only 3,000. But since Ricardo assumes that I sells for £20,000, the capital which he consumes in production must not exceed 18,000, or he would not gain a FARTHING. But his product=his production costs. Or else his product should have been 22,000. But Ricardo states distinctly that it=£20,000. £2,000 of fixed capital must therefore enter into the labour process and not the valorisation process, and out of the total fixed capital of 3,000 $^1/_3$,=£1,000, must enter into the valorisation process.

We now have the following calculation for I:

Capital	Fixed capital	Raw material	Wages	Surplus value	Capital consumed	Product	Profit
£20,000	£3,000	£7,000	£10,000	£2,000	£18,000	£20,000	£2,000= 10%
	2,000 not consumed; 1,000 consumed						

Assume that the raw material is cotton, and that 1 lb. of cotton is processed into 1 lb. of yarn; 1 lb. of cotton costs 6d., so that 2 lbs cost 1s. and 40 lbs, £1; 280,000 lbs cost £7,000. The product would thus be 280,000 lbs of yarn, which cost £20,000. 1 lb. yarn would cost *$1^{3}/_{7}$s.* Thus, as raw material=6d., the product would cost $11^{1}/_{7}$d. more, and nearly 12d. or 200% would be added to the value of the raw material.

Now let us consider CASE II. Wages=£1,000, raw material=£4,375, the total=£5,375. Commodities are sold for £10,000, of which £2,000 is surplus value; so, of the £8,000, yarn (8,000—5,375)=2,625. There therefore remain £2,625 for the wear and tear of fixed capital that is contained in £10,000. As Ricardo further assumes that advanced capital=20,000, it consists of £12,625 fixed capital, of which 10,000 enters into the labour process but not in the valorisation process, while 2,625 enters the product as wear and tear. The machinery is therefore assumed to be damned expensive, as nearly $^{1}/_{4}$ goes in wear and tear, so that it must be reproduced nearly every 4 years. Under all these unpleasant circumstances, we have the following calculation:

Capital	Fixed capital	Raw material	Wages	Surplus value	Capital consumed	Product	Profit
£20,000	£12,625	£4,375	£1,000	2,000	8,000	10,000	2,000 or 10%
	10,000 not consumed; 2,625 consumed						

Counting 1 lb. [of cotton] at 6d., 2 lbs cost 1s. and 40 lbs=£1. Therefore, the £4,375=40×£4,375=175,000 lbs. The product is therefore 175,000 lbs of yarn, whose value=£10,000. So, 175 lbs cost £10, and $^{175}/_{10}$ lbs=£1=$17^{1}/_{2}$ lbs. A pound of yarn costs $1^{1}/_{7}$s. or is $^{2}/_{7}$s. cheaper than the yarn spun by the other, by No. I.

Now, as far as, first, the *deplacement* of capital and labour is concerned, I expended £10,000 in wages, II only £1,000. That means £9,000 less in spinning labour. Variable capital is $^{9}/_{10}$

smaller in II than in I. But II expended £12,625 in fixed capital and I only 3,000, thus £9,625 less; I spent £7,000 on raw materials, II only 4,375, and thus £2,625 less. The whole *deplacement* was to begin with merely another division of capital [VIII-376] between the production elements of which the yarn consists. But the matter should not rest there. Since the [capital advanced as fixed] capital will be reproduced in approximately 5 years, only $^1/_5$ is annually required for the reproduction of this part of the capital. The capital which has flown back into machine building can only be employed annually in producing 5 such machines in 5 years, or 1 machine per year; this would therefore depend on the growth of the mode of production in II.[a]

II employed only 100 workers where I employed 400, and he paid them £10 where I paid 25, thus $^2/_5$ of the old wages. If he had not decreased wages in proportion to productivity of labour, the saving of 300 workers would not have gained him a single FARTHING, if he had sold the commodities at their value. The 100 workers would have cost him £2,500, and his total surplus value would only=£500; i.e., his profit would only represent $^1/_4$ of I in proportion to the labour time he employed. *A mere reduction* in the number of workers and in wages does not work if the wage rate does not fall. In the above example, the number [of workers] fell by $^1/_4={}^5/_{20}$; wages fell by $^2/_5$ or $^8/_{20}$. But since I produces a pound of yarn at $1^3/_7$s., which costs II only $1^1/_7$, he could undercut the other if he sold the yarn at $1^2/_7+{}^1/_{35}$s.$=1^{11}/_{35}$s. The other sells it precisely at $1^3/_7$, or $1^{15}/_{35}$s. In this case, II could pay the same wages as I, since $^1/_7$s. times 175,000 lbs equals 25,000s. or £1,250, and $^1/_{35}$s. times 175,000 equals 5,000s. or £250. These price rises would make a total of £1,500. We have seen that, when II pays workers £25, like I, his surplus value=£500. This surplus value+1,500 for raising the price over the value (since he produces under the conditions of social production costs)=£2,000. If II had to compete with I, he could pay the same wages, if he sold yarn at $1^{11}/_{35}$s. a pound instead of $1^1/_7$s. I would sell at 1s. $5^1/_7$d. a pound, or 1s. 5d. $^4/_7$ FARTHING.

II would sell at 1s. $3^{27}/_{35}$d. a pound, or 1s. 3d. $3^3/_{35}$f. So if II sold at 1s. 4d., he would make a greater profit than I, and still sell $1^1/_7$d. cheaper.

I would produce 280,000 lbs of yarn, II only 175,000 lbs, i.e., 105,000 lbs less. Assuming, though, that the workers consume the product, I supplies them with 140,000; thus only 140,000 enter into

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[a] The reference is to case II or capital II.—*Ed.*

circulation; with II, the workers use up only $^1/_{10}$ of £10,000=175,000 lbs, hence 17,500. There is obviously an error here, as 140,000 divided by 400 gives us 350 per person, or 35,000 for 100 men, and thus $^2/_{10}$ and not $^1/_{10}$—and we have assumed that the workers of II receive as much product as those of I.

This calculation must be abandoned. I don't see why time should be wasted on working out Ricardo's nonsense.

[IX-377] The passage in Ricardo (3rd ed., pp. 415, 416, 417)[a] runs: (Ch. XXVI)[b]

"Adam Smith constantly magnifies the advantages which a country derives from a large gross, rather than a large net income" (because, says Adam, *"the greater will be the quantity of productive labour which it puts into motion") ... "what would be the advantage resulting to a country from the employment of a great quantity of productive labour, if, whether it employed that quantity or a smaller, its net rent and profits together would be the same?"*

//This therefore means nothing but: *if the surplus value produced by a greater quantity of labour would be the same as that produced by a smaller quantity.* That however in turn means nothing but that it is the same thing for a country whether it employs a large number of labourers at a lower rate of surplus or a smaller number at a higher rate. $n \times {}^1/_2$ is just as much as $2n \times {}^1/_4$, where n represents the number [of labourers] and $^1/_2$ and $^1/_4$ the surplus labour. The "productive labourer" as such is a mere instrument of production for the production of SURPLUS, and if the result is the same a larger number of these "productive labourers" would be A NUISANCE.//

*"To an individual with a capital of 20,000 *l.*, whose profits were 2,000 *l.* per annum, it would be a matter quite indifferent whether his capital would employ a 100 or a 1,000 men, whether the commodity produced, sold for 10,000 *l.*, or for 20,000 *l.*, provided, in all cases, his profits were not diminished below 2,000 *l.*"*[c]

//The meaning of this, as is evident from a later passage, is perfectly banal. For example, a WINE-MERCHANT, who makes use of £20,000 and has £12,000 lying in his cellar each year, but sells £8,000 for £10,000, employs few people and makes 10% profit. And then take bankers!//

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a D. Ricardo, *On the Principles of Political Economy, and Taxation*, 3rd ed., London, 1821.—*Ed.*

b See this volume, p. 117.—*Ed.*

c Ibid., p. 119.—*Ed.*

*"Is not the real interest of the nation similar? *Provided its net real income, its rent and profits be the same, it is of no importance whether the nation consists of 10 or of 12 millions of inhabitants.* Its power of supporting fleets and armies, *and all species of unproductive labour*"*

(this passage shows among other things that Ricardo shared Adam Smith's view of productive and unproductive LABOUR, although he did no longer share Smith's tenderness, based on illusions, for the productive LABOURER)

*"must be in proportion to its net, and not in proportion to its gross, income. If five millions of men could produce as much food and clothing as was necessary for 10 millions, food and clothing for 5 millions would be the net revenue. Would it be of any advantage to the country, that *to produce this same net revenue,* seven millions of men should be required, that is to say, that seven millions should be employed to produce food and clothing sufficient for 12 millions? The food and clothing of 5 millions would be still the net revenue. The employing [of] a greater number of men would enable us neither to add a man to our army and navy, nor to contribute one guinea more in taxes."*[a] [53]

A country is the richer the smaller its productive population is *relatively* to the total product; just as for the individual capitalist: the fewer labourers he needs to produce the same SURPLUS, *tant mieux*[b] for him. The country is the richer the smaller the productive population in relation to the unproductive, the quantity of products remaining the same. For the relative smallness of the productive population would be only another way of expressing the relative degree of the productivity of labour.

On the one hand it is the tendency of capital to reduce to a dwindling minimum the labour time necessary for the production of commodities, and therefore also the number of the productive population *in relation to* the amount of the product. On the other hand, however, it has the opposite tendency to accumulate, to transform profit into capital, to appropriate the greatest possible quantity of the labour of others. It strives to reduce the rate of necessary labour, but to employ the greatest possible quantity of productive labour at the given rate.[c] The proportion of the products to the population makes no difference in this. Corn and cotton can be exchanged for wine, diamonds, etc., [IX-378] or labourers can be employed in productive labour which does not directly add anything to the (consumable) products (such as railway construction, etc.).

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[a] Ibid., p. 117.— *Ed.*

[b] So much the better.— *Ed.*

[c] In the manuscript the passage from the beginning of the paragraph is crossed out in pencil.— *Ed.*

If as the result of an invention a capitalist can now only use in his business £10,000 instead of the £20,000 he used previously, because £10,000 is sufficient, and if this sum yields 20% for him instead of 10, that is, as much as the £20,000 brought in before, this would be no reason for him to spend £10,000 as revenue instead of as capital as before. (Actually it is only in the case of State loans that we can speak of a direct transformation of capital into revenue.) He would place it elsewhere—and in addition would capitalise a part of his profit.

Among the economists (including Ricardo in part) we find the same antinomy as there is in reality. Machinery displaces labour and increases the net revenue (particularly always what Ricardo here calls net revenue—the quantity of products in which revenue is consumed); it reduces the number of labourers and increases the products (which then are partly consumed by unproductive labourers, partly exchanged abroad, etc.). So this would be desirable. But no. In that case it must be shown that machinery does not deprive the labourers of bread. And how is this to be shown? By the fact that after a SHOCK (to which perhaps the section of the population which is directly affected cannot offer any resistance) machinery once again employs more people than were employed before it was introduced—and therefore once again increases the number of "productive labourers" and restores the former disproportion.

That is in fact what happens. And so in spite of the growing productivity of labour the labouring population could constantly grow not in proportion to the product, which grows with it and faster than it, but proportionately [to the total population], if, for example, capital simultaneously becomes concentrated, and therefore former component parts of the unproductive classes fall into the ranks of the proletariat. A small part of the latter rises into the middle class. The unproductive classes, however, see to it that there is not too much food available. The constant retransformation of profit into capital always restores the same circuit on a wider basis.

And Ricardo's care for accumulation is even greater than his care for net profit, which he regards with fervent admiration as a means to accumulation. Hence too his contradictory admonitions and consoling remarks to the labourers. They are the people most interested in the accumulation of capital, because it is on this that the demand for them depends. If this demand rises, then the price of labour rises. They must therefore themselves desire the lowering of wages, so that the surplus taken from them, once more filtered through capital, is returned to them for new labour and their wages rise. This rise in wages however is bad, because it restricts accumulation. On the one hand they must not produce children. This brings a fall in the supply of labour, and so its price rises. But this rise diminishes the rate of accumulation, and so diminishes the demand for them and brings down the price of labour. Even quicker than the supply of them falls, [the accumulation of] capital falls along with it. If they produce children, then they increase their own supply and reduce the price of labour; thus the rate of profit rises, and with it the accumulation of capital. But the labouring population must rise *pari passu* with the accumulation of capital; that is to say, the labouring population must be there exactly in the numbers that the capitalist needs—which it does anyway.

Mr. Ganilh is not altogether consistent in his admiration for the net product. He quotes from Say:

> "I do not doubt at all that in slave labour the excess of the products over consumption is larger than in the labour of a free man.... The labour of the slave has no limit but his capacity.... The slave" (and the free worker too) "*labours for an unlimited need: his master's cupidity*" (Ganilh, 2nd ed., [Vol. I,] pp. 231[-32]).[54]

[IX-379] On this Ganilh observes:

> "The free labourer cannot consume more and produce less than the slave.... All consumption presumes an equivalent produced to pay for it. If the free labourer consumes more than the slave, the products of his labour must be more considerable than those of the slave's labour" (Ganilh, Vol. I, p. 234).

As if the size of the wage depended *only* on the productivity of the labourer, and not, with a given productivity, on the division of the product between labourer and master.

> "I know," he continues, "that it can be said with some reason that the *economies made by the master at the expense of the labourer*[a]" (according to this there are after all economies made on the wages of the slave) "serve to augment his personal expenses," etc.... "But it is more advantageous to the general wealth that there should be well-being in all classes of society rather than an excessive opulence among a small number of individuals" (pp. 234-35).

How does that tally with the net product? And for that matter Mr. Ganilh at once retracts his liberal tirades (l.c., pp. 236-37). He wants NIGGER-slavery[b] for the colonies. He is only liberal in so far as he does not want to reintroduce it into Europe, having grasped

[a] Ganilh has "*slave*".—*Ed.*

[b] See p. VII of this volume.—*Ed.*

that the free labourers here are slaves, that they only exist to produce net product for capitalists, LANDLORDS and their RETAINERS.

"He" (*Quesnay*) "definitely denies that economies made by the wage-earning classes have the faculty to increase capital; and the reason he gives for this is that these classes should not have any means on which to make economies, and that if they had *a surplus, an excess,* this could only be due to an error or to some disorder in the society's economy" (l.c., p. 274).

Ganilh cites in evidence the following passage from Quesnay:

"If the sterile class saves in order to augment its cash ... its labours and its gains will diminish in the same proportion, and it will fall into decay" (*Physiocratie,* p. 321).[55]

The ass! He does not understand Quesnay.

Mr. Ganilh puts on the keystone in the following paragraph:

"The larger they" (wages) "are, the less is the revenue of the society" (society stands on them, but they do not stand in society), "and all the skill of governments should be applied to reducing the amount [of the wages].... A *task ... worthy of the enlightened century in which we live*" (Vol. II, p. 24).

Then there are still *Lauderdale* (Brougham's insipid jests are not worth examining after him), (Ferrier?), *Tocqueville, Storch, Senior,* and *Rossi* to be considered briefly on productive and unproductive labour.[56]

EXCHANGE OF REVENUE AND CAPITAL

//To be distinguished: 1) The part of the *revenue which is transformed into new capital*; that is, the part of the profit which is itself again capitalised. Here we leave this entirely out of account—it belongs to the section on accumulation. 2) The revenue which is exchanged with capital consumed in production, so that by means of this exchange not new capital is formed, but old capital replaced—in a word, the old capital is conserved. In this inquiry, therefore, we can put the part of the revenue which is transformed into new capital as equal to nil, and treat the subject as if all revenue covers either revenue or capital consumed.

The whole amount of the annual product is therefore divided into 2 parts: one part is consumed as revenue, the other part replaces *in natura* the constant capital consumed.

Revenue is exchanged for revenue, when for example the producers of linen exchange a portion of that part of their product—the linen—which represents their profits and wages, their revenue, for corn that represents a portion of the profits and [IX-380] wages of farmers. Here therefore there is the exchange of linen for corn, those two commodities which both enter into individual consumption—exchange of revenue in the form of linen for revenue in the form of corn. There is absolutely no difficulty in this. If consumable products[57] are produced in proportions corresponding to needs, which means also that the proportional amounts of social labour required for their production are proportionately distributed //which of course is never exactly the case, there being constant deviations, disproportions, which as such are adjusted; but in such a way that the continuous movement towards adjustment itself presupposes continuous disproportion//, then revenue, for example in the form of linen, exists in the exact quantity in which it is required as an article of consumption, therefore in which it is replaced by the articles of consumption of other producers. What the producer of linen consumes in corn, etc., the farmers and others consume in linen. The part of his product which represents revenue, which he exchanges for other commodities (articles of consumption), is thus taken in exchange as an article of consumption by the producers of these other commodities. What he consumes in the product of others, these others consume in his product.

It may be noted in passing: that no more necessary labour time is employed on a product than is required by society—that is to say, no more time than on the average is required for the production of this commodity—is the result of capitalist production, which even continuously reduces the minimum of necessary labour time. But in order to do so, it must constantly produce on a rising scale.

If 1 yard of linen costs only 1 hour and this is the necessary labour time that society has to use to satisfy its need for 1 yard of linen, it by no means follows from this that if 12 million yards are produced—that is, 12 million hours' labour, or what is the same thing, 1 million days' labour—1 million labourers being employed as linen weavers, society [needs] to employ such a part of its labour time "necessarily" on the weaving of linen. If the necessary labour time is given, and therefore also that a certain quantity of linen can be produced in one day, the question arises how many such days are to be used in the production of linen? The labour time used on the total of particular products, in a year for example, is equal to a definite quantity of this use value—for example, 1 yard of linen (say=1 day's labour)—multiplied by the number of days' labour used in all. The total quantity of labour time used in a particular branch of production may be under or over the correct proportion to the total available social labour, although each aliquot part of the product contains only the labour time necessary for its production, or although each aliquot part of the labour time used was necessary to make the corresponding aliquot part of the total product.

From this standpoint, the necessary labour time acquires another meaning. The question is, in what quantities the necessary labour time itself is distributed among the various spheres of production. Competition constantly regulates this distribution, just as it equally constantly disorganises it. If too large a quantity of social labour time is used in one branch, the equivalent can be paid only, as if the corresponding quantity had been used. The total product—i.e., the value of the total product—is in this case not equal to the labour time contained in it, but=the proportional amount of labour time which would have been used had the total product been in proportion to the products in the other spheres. But inasmuch as the price of the total product falls below its value, the price of each aliquot part of it falls. If 6,000 yards of linen instead of 4,000 are produced, and if the value of the 6,000 yards is 12,000s. they are sold for 8,000. The price of each yard is $1^1/_3$s. instead of 2—$^1/_3$ below its value. It therefore amounts to the same thing as if $^1/_3$ too much labour time had been used to produce 1 yard. Assuming that the commodity has use value, the fall of its price below its value therefore shows that, although each part of the product has cost only the socially necessary labour time //here it is assumed that the conditions of production remain unchanged//, a superfluous—more than necessary—total quantity of social labour has been employed in this one branch.

The sinking of the relative value of the commodity as a result of altered [IX-381] conditions of production is something entirely different; this piece of linen on the market has cost 2s.,=1 day's labour, for example. But it can be reproduced every day for 1s. Since now the value is determined by the socially necessary labour time, not by the labour time used by the individual producer, the day that the producer has used for the production of the 1 yard now only=$^1/_2$ the socially determined day. The fall of the price of his yard from 2s. to 1s.—that is, of its price below the value it has *cost* him—shows merely a change in the conditions of production, that is, a change in the necessary labour time itself. On the other hand, if the production costs of the linen remain the same while those of all other articles rise—with the exception of gold, in short, the material of money; or even [if the rise applies to] certain articles such as wheat, copper, etc., in a word, to articles which do not enter into the component parts of the linen—then 1 yard of linen would=2s. as before. Its *price* would not fall, but its relative value expressed in wheat, copper, etc., would have fallen.

Of the part of the revenue in one branch of production (which produces consumable commodities) which is consumed in the revenue of another branch of production, it can be said that the demand is equal to its own supply (in so far as production is kept in the right *proportion*). It is the same as if each branch itself consumed that part of its revenue. Here there is only a formal metamorphosis of the commodity: *C—M—C.* Linen—money—wheat.

Both commodities which are exchanged here represent only a part of the new labour added in the year. But in the first place it is clear that this exchange—in which two producers mutually consume a part of their product which represents revenue in each other's commodities—only takes place in those branches of production which produce consumable articles, articles which enter directly into individual consumption, in which consequently revenue can be spent as revenue. Secondly, it is just as clear: that only regarding *this part* of the exchange of products it is true that the producer's supply=the demand for other products which he wishes to consume. Here in fact it is only a question of a simple exchange of commodities. Instead of producing his means of subsistence himself, he produces the means of subsistence for another, who produces his. No relation between revenue and capital enters into this. Revenue in one form of consumable articles is exchanged against revenue in another form of consumable articles, and so in fact consumable articles are exchanged for consumable articles. What determines their process of exchange is not that both are revenue, but that both are consumable articles. Their formal determination as revenue does not come into this at all. It shows itself however in the use value of the interchangeable commodities, in that both enter into individual consumption; which in turn however means no more than that one part of consumable products is exchanged for another part of consumable products.

The form of revenue can only intervene or make itself manifest where the form of capital confronts it. But even in this case what Say[58] and other vulgar economists assert is not true—that if A cannot sell his linen or can only sell it under its price—i.e., the part of his linen which he wishes to consume himself as revenue—then this happens because B, C, etc., have produced too little wheat, meat, etc. It may be because they have not produced enough of these. But it may also be because A has produced too much linen. For assuming that B, C, etc., have enough wheat, etc., to buy all A's linen, they nevertheless do not buy it, because only a definite quantity of linen is *consumed* by them. Or it may also be because A has produced more linen than the part of their revenue which can be spent on clothing materials altogether—that is, absolutely, because each person can expend as revenue only a definite quantity of his own product, and A's production of linen presupposes a greater amount of revenue than in total there is. It is ridiculous, however, when it is only a matter of the exchange of revenue against revenue, to suppose that what is wanted is not the use value of the product but the quantity of this use value, thus once again forgetting that *this* exchange concerns only the satisfaction of needs, not, as in exchange value, the quantity.

But everyone will prefer to have a large rather than a small quantity of an article. If this is supposed to solve the difficulty, then [IX-382] it is absolutely impossible to understand why the producer of linen, instead of exchanging his linen for other articles of consumption and piling these up *en masse*, does not carry out the simpler process of enjoying a part of his revenue in his superfluous linen. Why does he at all transform his revenue from the form of linen into other forms? Because he has to satisfy other needs than the need for linen. Why does he himself consume only a certain part of the linen? Because only a quantitatively determined part of the linen has use value for him. The same thing, however, holds for B, C, etc. If B sells wine and C books and D mirrors, each may prefer to consume the surplus of his revenue in his own product—wine, books, mirrors—rather than in linen. Thus it cannot be said that, necessarily, too little wine, books and mirrors have been produced because A cannot transform his revenue in the form of linen (or cannot transform it at its value) into wine, books and mirrors. It is still more ridiculous, however, when this exchange of revenue against revenue—this one section of the commodity exchange—is passed off as the whole of commodity exchange.

We have thus disposed of one part of the product. A part of the consumable products changes hands between the producers of these consumable products themselves. Each consumes a part of his revenue (profit and wages) in the other's consumable product instead of in his own consumable product, and in fact he can only do this in so far as there is the reciprocal consumption by the other of someone else's consumable product instead of his own. It is the same as if each had consumed that part of his consumable product which represents his own revenue.

For all the rest of the products, however, complicated relations intervene, and it is only here that the commodities exchanged confront each other as revenue and capital, and not only as revenue.

First a distinction has to be made. In all branches of production a part of the total product represents revenue, labour added (during the year), profit and wages. //Rent, interest, etc., are parts of profit; the income of the State good-for-nothings is part of profit and wages; the income of other unproductive labourers is the part of profit and wages which they buy with their unproductive labours—it therefore does not increase the product existing as profit and wages, but only determines how much of it they consume, and how much is consumed by the labourers and capitalists themselves.// But only in one section of the spheres of production can the part of the product representing revenue enter directly *in natura* into the revenue, or in its *use value* be consumed as revenue. All products which are *only* means of production cannot be consumed *in natura*, in their immediate form, as revenue, but only their *value*. This however must be consumed in the branches of production which produce directly consumable articles. A part of the means of production may be immediate articles of consumption—it may be one or the other according to the use made of it, as for example a horse, a cart, etc. A part of the immediate articles of consumption may be means of production, like corn for spirits, wheat for seed, and so on. Almost all articles of consumption can re-enter the production process as excrements of consumption, as for example worn-out and half-rotten rags of linen in the manufacture of paper. But no one produces linen in order that it should become, as rags, the raw material for paper. It only gets this form after the linen weaver's product as such has entered consumption. Only as excrement of this consumption, as residuum and product of the consumption process, can it then go into a new production sphere as means of production. This CASE, therefore, is not relevant here.

The products therefore—of which the aliquot part that represents revenue can[a] be consumed by their own producers as value, but not as use value (so that they must sell the part for example of their machines which represents wages and profit in order to consume it, [as they] cannot directly satisfy any individual need with it as a machine)—[these products] can just as little be consumed by the producers of other products; they cannot enter

[a] The manuscript has "cannot".—*Ed.*

into their individual consumption, and hence cannot form part of the products on which they spend their revenue, since this would be in contradiction to the use value of these commodities: their use value by the nature of the case *excludes* individual consumption. The producers of these unconsumable products, therefore, can only consume their *exchange value*; that is to say, they must first transform them into money in order to retransform this money into consumable commodities. But to whom are they [IX-383] to sell them? To producers of other individually unconsumable products? Then they would merely have one unconsumable product in the place of the other. It is however presupposed that this part of the products forms their revenue; that they sell these commodities in order to consume their value in consumable products. For that reason they can only sell them to the producers of products that can be consumed individually.

This part of the commodity exchange represents exchange of one man's capital for another man's revenue, and of one man's revenue for another man's capital. Only one part of the total product of the producer of consumable products represents revenue; the other part represents constant capital. He can neither himself consume the latter, nor can he exchange it for the consumable products made by others. He can neither consume *in natura* the use value of this part of the product, nor can he consume its value by exchanging it for other consumable products. He must on the contrary transform it again into the natural elements of his constant capital. He must *consume industrially* this part of his product, that is, use it as means of production. But in its use value his product is only capable of entering individual consumption; he cannot therefore transform it again *in natura* into his own elements of production. Its use value excludes industrial consumption. So he can only industrially consume its *value*. It is otherwise with the producers of the elements of production of his product. He can neither consume *in natura* this part of his product, nor can he consume its value by selling it for other products that can be consumed individually. Just as little as this part of his product can enter into his own revenue, can it be replaced out of the revenue of producers of other individually consumable products; since this would only be possible if he exchanged his product for their product and so *consumed* the value of his product, which cannot happen. But since this part of his product, as well as the other part which he can consume as revenue, by its use value can only be consumed as revenue, must enter into individual consumption and cannot replace constant capital, it must enter into the revenue of the producers of unconsumable products—it must be exchanged against that part of their products whose value they can consume, or in other words which represents their revenue.

If we look at this exchange from the standpoint of each of the people exchanging, for A, the producer of the consumable product, it represents a transformation of capital into capital. He transforms the part of his total product which is equal to the value of the constant capital it contains back again into the natural form in which it can function as constant capital. Both before and after the exchange it represents, in its value, only constant capital. For B, the producer of the product that cannot be consumed, it is the reverse: the exchange represents merely the transformation of revenue from one form into another. He transforms the part of his total product which forms his revenue,=the part of the total product which represents labour newly added, his own labour (capitalist and labourer)—into the natural form in which only he can consume it as revenue. Both before and after the exchange it represents, in its value, only his revenue.

If we look at the relation from both sides, then A exchanges his constant capital for B's revenue, and B exchanges his revenue for A's constant capital. B's revenue replaces A's constant capital, and A's constant capital replaces B's revenue.

In the exchange itself //irrespective of the purposes of those carrying it out// only commodities confront each other—and a simple exchange of commodities takes place—the relation between which is merely that of commodities, the designations of revenue and capital having no significance here. Only the different *use value* of these commodities shows that one lot can only serve for industrial consumption, and the other only for individual consumption, can only enter into this consumption. The various practical uses of the various use values of various commodities, however, concern their consumption and do not affect the process of their exchange as commodities. It is quite a different thing when the capitalist's capital is transformed into wages, and labour is transformed into capital. Here the commodities do not confront each other as simple commodities, but capital as capital. In the exchange we have just been considering sellers and buyers face each other only as sellers and buyers, only as simple commodity owners.

It is further clear that the whole of the product destined for individual consumption or the whole product entering into individual consumption, in so far as it enters into it, can only be exchanged for revenue. The fact that it cannot be industrially consumed means precisely that it can only be consumed as revenue, i.e., only individually. //As noted above, we here abstract from the transformation of profit into capital.[a]//

If A is a producer of a product that can only be individually consumed, let his revenue be equal to $^1/_3$ of his total product, his constant capital to $^2/_3$. The assumption implies that he himself consumes the first $^1/_3$, whether he [IX-384] consumes it all himself *in natura* or only partly or not at all, or whether he consumes its value in other articles of consumption; the sellers of these articles of consumption then consume their own revenue in A's product. So the part of the consumable product which represents the revenue of the producers of consumable products is consumed by them either directly, or indirectly, through exchanging among themselves the products to be consumed by them; in regard to this part, therefore, where *revenue is exchanged for revenue*—here it is the same as if A represented the producers of all consumable products. He himself consumes $^1/_3$ of this aggregate amount, the aliquot part which represents his revenue. This part, however, represents exactly the quantity of labour which during the year category A has added to its constant capital, and this quantity is equal to the total sum of wages and profits produced by category A during the year.

The other $^2/_3$ of category A's total product are equal to the value of the constant capital, and must therefore be replaced by the product of the annual labour of category B, which supplies products that ARE INCONSUMABLE and only enter into industrial consumption, as means of production into the production process. But as these $^2/_3$ of A's total product, just the same as the first $^1/_3$, must enter into individual consumption, it is taken by the producers of category B, in exchange for the part of their product which represents their revenue. Category A has therefore exchanged the constant part of its total product for its original natural form, exchanged it retransformed for the newly delivered products of category B; but category B has only paid for it with that part of its product which represents its revenue but which it can only consume in the products of A. It has thus in fact paid with its newly added labour, which is completely represented by the part of B's product that is exchanged for the last $^2/_3$ of A's product. Thus A's total product is exchanged for revenue. or passes entirely into individual consumption. On the other hand (on the

[a] See this volume, p. 130.—*Ed.*

assumption that the transformation of revenue into capital is here left out of account, being taken as=0) the *total revenue* of society is also expended on product A; for the producers of A consume their revenue in A, and so do the producers of category B. And there is no other category besides these two.

The total product A is consumed, although it contains $^2/_3$ constant capital, which cannot be consumed by the producers of A but must be retransformed into the natural form of their elements of production. The total product A is equal to the total revenue of society. The total revenue of society, however, represents the total labour time which it has added during the year to the existing constant capital. Now although the total product A consists of newly added labour only as to $^1/_3$, and as to $^2/_3$ of past labour that has to be replaced, it can be bought in its entirety by newly added labour, because $^2/_3$ of this total annual labour must be consumed not in their own products but in the products of A. A is replaced by $^2/_3$ more newly added labour than it itself contains, because these $^2/_3$ are labour newly added in B, and B can only consume it individually in A, just as A can only consume the same $^2/_3$ industrially in B. Thus the total product of A can in the first place be entirely consumed as revenue, and at the same time its constant capital can be replaced. Or rather it can only be entirely consumed as revenue because $^2/_3$ of it are replaced by the producers of constant capital, who cannot consume *in natura* the part of their product representing revenue, but are obliged to consume it in A, that is, through exchanging it for $^2/_3$ of A.

We have thus disposed of the final $^2/_3$ of A.

It is clear that it makes no difference if a third category C exists, whose products are consumable both industrially and individually; for example, corn, by men or by cattle or as seed or as bread; vehicles, horses, cattle, etc. In so far as these products enter into individual consumption they must be consumed as revenue, direct or indirect, by their own producers, or by the producers (direct or indirect) of the part of the constant capital contained in them. They therefore come under A. In so far as they do not enter into individual consumption, they come under B.

The process of this second kind of exchange, where it is not revenue that is exchanged against revenue but capital against revenue—in which the whole constant capital must in the end be resolved into revenue, that is, into newly added labour—can be thought of in two ways. Let A's product be for example linen. The $^2/_3$ of the linen which are=to the constant capital of A (or its value) pay for yarn, machinery and *matières instrumentales.* But the yarn manufacturer and the manufacturer of machinery [IX-385] can only consume as much of this product as represents their own revenue. The linen manufacturer pays the whole price of the yarn and machinery with these $^2/_3$ of his product. By so doing he has thus replaced for the spinner and the machinery manufacturer their total product which entered into the linen as constant capital. But this total product is itself=to the constant capital and revenue—one part being equal to the labour added by the spinner and machinery manufacturer, and another part representing the value of their own means of production, that is, for the spinner flax, oil, machinery, coal, etc., and for the machinery manufacturer coal, iron, machinery, etc. A's constant capital, $=^2/_3$, has thus replaced the total product of the spinner and machinery manufacturer, their constant capital+the labour newly added by them—their capital+their revenue. But they can only consume their revenue in A. After deducting the part of the $^2/_3$ of A which=their revenue, with the rest they pay for their raw materials and machinery. According to our assumption, however, the latter need not replace any constant capital. Only so much of their product can enter into product A—and therefore also into the products which are means of production for A—as A can pay for. But A can only pay with his $^2/_3$ for as much as B can buy with his revenue, i.e., as much as the product exchanged by B contains revenue, newly added labour. If the producers of the final elements of production of A had to sell to the spinner a quantity of their product which represented a part of their own constant capital—that is, which represented more than the labour they had added to their constant capital—then they could not accept payment in A, because they cannot consume one part of this product. Consequently what takes place is the opposite.

Let us trace the stages in reverse. Let us assume that the total linen=12 days. The product of the flax-grower, of the iron manufacturer, etc.,=4 days; this product is sold to the spinner and the machinery manufacturer, who in turn add 4 days to it; these sell it to the weaver, who again adds 4 days. The linen weaver can thus himself consume $^1/_3$ of his product; 8 days replace his constant capital for him and pay for the product of the spinner and machinery manufacturer; these can consume 4 of the 8 days, and with the other 4 they pay the flax-grower, etc., and thus replace their constant capital; the last-named have only their labour to replace with the last 4 days in linen.

The revenue, although it is assumed to be of the same size,=4 days, in all 3 cases, is of different proportions in the products of the 3 classes of producers who participate in producing product A. For the linen weaver, it is $^{1}/_{3}$ of his product, $=^{1}/_{3}$ of 12; for the spinner and for the machinery manufacturer it is equal to $^{1}/_{2}$ of his product, $=^{1}/_{2}$ of 8; for the flax-grower it is equal to his product, $=4$. In relation to the total product it is however exactly the same, $=^{1}/_{3}$ of 12, $=4$. But for the weaver, the labour newly added by spinner, machinery manufacturer and flax-grower takes the form of constant capital. For the spinner and machinery manufacturer, the total product represents the labour newly added by themselves and by the flax-grower, the labour time of the flax-grower appearing as constant capital. For the flax-grower, this phenomenon of constant capital has ceased to exist. Because of this, the spinner for example can use machinery, or constant capital in general, in the same proportions as the weaver. For example, $^{1}/_{3}$. But in the first place the amount (the total amount) of the capital employed in spinning must be smaller than that used in weaving, since its total product enters as constant capital into weaving. Secondly, if the spinner also has the proportion of $^{1}/_{3}:^{2}/_{3}$, his constant capital would $=^{16}/_{3}$, his added labour would be equal to $^{8}/_{3}$; the former would be equal to $5^{1}/_{3}$ days' labour, the latter to $2^{2}/_{3}$. In this case there would be proportionately more days' labour contained in the branch which supplies him with flax, etc. He would then have to pay $5^{1}/_{3}$ for newly added labour, instead of 4 days.

It is self-evident that only that part of category A's constant capital has to be replaced by new labour which enters into the valorisation process of A, that is, is consumed by A during the labour process. The whole of the raw material and the *matières instrumentales* enter into it, and the wear and tear of the fixed capital. The other part of the fixed capital does not enter into it, and therefore has not got to be replaced.

A large part of the existing constant capital—large as regards the relation of the fixed capital to the total capital—does not therefore require to be replaced annually by new labour. For that reason the (absolute) amount may be considerable, but nevertheless it is not large in relation to the total (annual) product. This *entire part of the constant capital*, in A and B, which enters into the determination of the rate of profit (with a given surplus value), does not enter as a determining element into the current reproduction of the fixed capital. The larger this part in relation to the total capital—the greater the scale on which present, already existing, fixed capital is employed in production—the greater the *current* volume *of reproduction* will be that is used for the replacement of the worn-out fixed capital, but the smaller relatively will be the *proportional* amount, in relation to the total capital.

Let the reproduction period (*the average*) for all kinds of fixed capital be 10 years. [IX-386] Let us assume that the different kinds of fixed capital have a turnover of 20, 17, 15, 12, 11, 10, 8, 6, 4, 3, 2, 1, $^4/_6$ and $^2/_6$ years (14 kinds), so that the fixed capital has an *average* turnover of 10 years.[59]

On the average, therefore, the capital would have to be replaced in 10 years. If the total fixed capital amounted to $^1/_{10}$ of the total capital, then only $^1/_{10}$ of the former, hence only $^1/_{100}$ of the total capital, would have to be replaced annually.

If it amounted to $^1/_3$, then $^1/_{30}$ of the total capital would have to be replaced annually.

But let us now compare fixed capitals with different reproduction periods—the capital with a 20-year period, for example, in contrast to the capital with a period of $^1/_3$ of a year.

Only $^1/_{20}$ of the fixed capital which is reproduced in 20 years has to be replaced annually. So that if it amounts to $^1/_2$ of the total capital, only $^1/_{40}$ of the total capital has to be replaced annually, and if it amounts even to $^4/_5$ of the total capital, only $^4/_{100}={}^1/_{25}$ of the total capital has to be replaced annually. On the other hand, if the capital which has a reproduction period of $^2/_6$ of a year—that is, turns over 3 times a year—amounts to only $^1/_{10}$ of the capital, then the fixed capital has to be replaced 3 times a year, so that $^3/_{10}$ of the capital has to be replaced annually, nearly $^1/_3$ of the total capital. On the average, the larger the fixed capital in proportion to the total capital, the longer is its *relative* (not absolute) period of reproduction; and the smaller it is, the shorter its *relative* period of reproduction. Implements form a much smaller part of handicraft capital than machinery does of machine-production capital. But handicraft implements wear out much more quickly than machinery.

Although the absolute magnitude of its reproduction—or its wear and tear—grows with the absolute size of the fixed capital, as a rule its proportional magnitude falls, IN SO FAR as its period of turnover, its duration, as a rule increases in proportion to its size. This proves among other things that the quantity of labour reproducing machinery or fixed capital is not at all proportional to the labour which originally produced these machines (conditions of production remaining the same), since only the annual wear and tear has to be replaced. If the productivity of labour rises—as it constantly does in this branch of production—the quantity of labour required for the reproduction of this part of the constant capital diminishes still more. However, account has to be taken of the means of consumption daily used by the machine (which however have nothing directly to do with the labour employed in the machine-building industry itself). But machinery, which needs merely coal and a little oil or tallow, lives on an infinitely stricter diet than the labourer—not only the labourer whom it replaces, but the labourer who built the machine itself.

We have now disposed of the product of the entire category A and of a part of category B's product. A is completely consumed: $^1/_3$ by its own producers, $^2/_3$ by the producers of B, who cannot consume their own revenue in their own product. The $^2/_3$ of A, in which they consume the part of the value of their product which represents revenue, at the same time replace their constant capital *in natura* for the producers of A, that is, provide them with the commodities which they *consume industrially*. But with the consumption of A's entire product, and with $^2/_3$ of it replaced by B in the form of constant capital, we have also disposed of the *entire* part of the product which represents the labour newly added annually. This labour cannot therefore buy any other part of the total product. In fact, the whole of the labour added annually (leaving out of account the capitalisation of profit)=the *labour contained in* A. For $^1/_3$ of A which is consumed by its own producers represents the labour newly added by them during the year to the $^2/_3$ of A which represent A's constant capital. They have performed no labour apart from this, which they consume in their own product. And the other $^2/_3$ of A, which are replaced by B's product and consumed by the producers of B, represent all the labour time which the producers of B have added to their own constant capital. They have added no more in labour, and there is nothing more for them to [IX-387] consume.

In its *use value*, product A represents the whole part of the annual total product which enters annually into individual consumption. In its *exchange value*, it represents the total quantity of labour newly added by the producers during the year.

Thus, however, we have as *residuum* a third part of the total product whose constituent parts, when exchanged, can represent neither the exchange of revenue against revenue nor of capital against revenue and vice versa. This is the part of product B which represents B's constant capital. This part is not included in B's revenue and therefore cannot be replaced by or exchanged against product A, and therefore also cannot enter as a constituent part into A's constant capital. This part is likewise consumed, industrially consumed, to the extent that it enters not only into the labour process but also into the valorisation process of B. This part, therefore, like all other parts of the total product, must be replaced *in the proportion in which it forms a component part of the total product*, and indeed it must be replaced *in natura* by *new* products of the same sort. On the other hand, it is not replaced by any new labour. For the total quantity of newly added labour=the labour time contained in A, which is completely replaced only by B consuming his revenue in $^2/_3$ of A and supplying to A in exchange all the means of production which are consumed in A and must be replaced. For the first $^1/_3$ of A, which is consumed by its own producers, consists only—as exchange value—of the labour newly added by themselves, and it contains no constant capital.

Let us now examine this residuum.

It consists of the constant capital which enters into raw materials, secondly of the constant capital which enters into the formation of the fixed capital, and thirdly of the constant capital which enters into *matières instrumentales.*

First, the raw materials. Their constant capital consists in the first place of fixed capital, machinery, instruments of labour and buildings, and perhaps *matières instrumentales*, which are means of consumption for the machinery employed. In regard to the directly consumable part of the raw materials—such ,as cattle, corn, grapes, and such like—this difficulty does not arise. In this aspect they belong to class A. This part of the constant capital contained in them enters into the $^2/_3$ of the constant part of A, which is exchanged as capital against the unconsumable products of B or in which B consumes his revenue. This holds good too in general for those raw materials which cannot be consumed directly, in so far as they enter *in natura* into the consumable product itself, however many intermediate stages they may pass through in the processes of production. The part of flax that is transformed into yarn and later into linen enters in its entirety into the consumable product.

But a part of these *vegetative raw materials*, such as timber, flax, hemp, leather and so on, partly enters directly into the components of the fixed capital itself, and partly into the *matières instrumentales* for the fixed capital. For example, in the form of oil, tallow, etc.

Secondly, however, seed [belongs to the constant capital expended for the production of raw materials]. Vegetative materials and animals reproduce themselves. Vegetation and generation. By seed we mean actual seed, and in addition fodder which reverts to the land as dung, pedigree cattle, etc. This large part of the annual product—or of the constant part of the annual product—itself serves directly as material for regeneration, it reproduces itself.

Non-vegetative raw materials. Metals, stones, etc. Their value consists of only 2 parts, since here there is no seed—which represents the raw materials of agriculture. Their value consists only of added labour and machinery consumed (including the means of consumption for the machinery). In addition therefore to the part of the product which represents newly added labour and is hence included in the exchange of B for the $^2/_3$ of A, there is nothing to be replaced but the wear and tear of the fixed capital and its means of consumption (such as coal, oil, etc.). But these raw materials form the principal component part of the constant capital, of the fixed capital (machinery, instruments of labour, buildings, etc.). They therefore replace their constant capital *in natura* by exchange.

[IX-388] *Secondly, the fixed capital (machinery, buildings, instruments of labour, containers of all kinds).*

Their constant capital consists of: 1) their raw materials, metals, stones, raw materials such as timber, leather belting, rope, etc. But though these raw materials form the raw material for them, they themselves enter as means of labour into the production of these raw materials. Hence they replace themselves *in natura.* The iron producer has to replace machinery, the machine builder iron. In quarrying there is wear and tear of machinery, but in factory buildings there is wear and tear of building stone, etc. 2) *The wear and tear of machine-building machinery,* which within a certain period has to be replaced by a new product of the same kind. But the product of the same kind can, of course, replace itself. 3) *The means of consumption for the machine (matières instrumentales).* Machinery consumes coal, but coal consumes machinery, and so on. In the form of containers, tubes, pipes, etc., machinery of all kinds enters into the production of the means of consumption for machinery, as in the case of tallow, soap, gas (for lighting). Therefore also in these cases the products of these spheres enter reciprocally into each other's constant capital, and consequently replace each other *in natura.*

If beasts of burden are included among machines, what has to be replaced in their case is fodder and in certain conditions stabling (buildings). But if fodder enters into the production of cattle, so do cattle into the production of fodder.

In the third place, matières instrumentales. Some of these require raw materials, like oil, soap, tallow, gas, etc. On the other hand, in the form of fertilisers, etc., they in turn enter in part into the production of these raw materials. Coal is required for making gas, but gas lighting is used in producing coal, etc. Other *matières instrumentales* consist only of labour added and fixed capital (machinery, containers, etc.). Coal must replace the wear and tear of the steam-engine used to produce it. But the steam-engine consumes coal. Coal itself enters into the means of production of coal. Thus it replaces itself *in natura.* Transport by rail enters into the production costs of coal, but coal in turn enters into the production costs of the locomotive.

Later on, there is something special to be added about chemical factories, all of which *plus ou moins*[a] produce *matières instrumentales,* such as the raw material of containers (for example, glass, porcelain), as well as articles which enter directly into consumption.

All colouring materials are *matières instrumentales.* But they enter into the product not only as to their value, as for example coal consumed enters into COTTON; but they reproduce themselves in the form of the product (its colours).

Matières instrumentales are either *means of consumption for machinery*—in this case either fuel for the prime mover, or means of reducing the friction of the operating machinery, such as tallow, soap, oil, etc.—or they are *matières instrumentales* for buildings, like cement, etc. Or they are *matières instrumentales* for carrying on the production process in general, such as lighting, heating, etc. (in this case they are *matières instrumentales* required by the labourers themselves to enable them to work).

Or they *are matières instrumentales* which enter into the formation of the raw materials as do all types of fertilisers and all chemical products consumed by the raw materials.

Or *they are matières instrumentales* which enter into the finished product—colouring matter, polishing materials, and so on.

The result is therefore:

A replaces his own constant capital, [equal to] $^{2}/_{3}$ [of the product], by exchange with that part of B's unconsumable product which represents B's revenue—that is, the labour added in category B during the year. But A does not replace B's constant capital. B for his part must replace this constant capital *in natura* by new products of the same sort. But B has no labour time over

[a] In a greater or smaller degree.—*Ed.*

to replace them with. For all the new labour time added by him forms his revenue, and is therefore represented by the part of B's product which enters as constant capital into A. How then is B's constant capital replaced?

Partly by his *own reproduction* (vegetative or animal), as in all agriculture and stock-raising; partly by *exchange in natura* of parts of one constant capital for parts of another constant capital, because the product of one sphere enters as raw material or means of production into the other sphere, and vice versa; that is, because the products of the various spheres of production, the [IX-389] various sorts of constant capital, enter reciprocally *in natura* into each other's sphere as conditions of production.[36]

The producers of unconsumable products are the producers of constant capital for the producers of consumable products. But at the same time their products serve them reciprocally as elements or factors of their own constant capital. That is to say, they consume each other's products *industrially.*

The whole product A is consumed. Therefore also the whole of the constant capital it contains. The producers of A consume $^1/_3$ of A, the producers of the unconsumable products B consume $^2/_3$ of A. A's constant capital is replaced by the products of B which form B's revenue. This is in fact the only part of the constant capital that is replaced by *newly added labour*; and it is replaced by it because the quantity of products B that is the newly added labour in B, is not consumed by B, but on the contrary is industrially consumed by A, while B consumes individually the $^2/_3$ of A.

Let A=3 days' labour; his constant capital, on our assumption,=2 days' labour. B replaces the product of $^2/_3$ of A, and so supplies unconsumable products=2 days' labour. Now 3 days' labour have been consumed, and 2 are left. In other words, the 2 days of past labour in A are replaced by 2 days of newly added labour in B, but only because the 2 days of newly added labour in B consume their value in A and not in product B itself.

B's constant capital, in so far as it has entered into the total product B, must likewise be replaced *in natura* by new products of the same sort—that is, by products which are required for *industrial* consumption by B. But it is not replaced by *new* labour time, although it is replaced by the *products* of the labour time newly applied during the year.

Let the constant capital in B's total product be $^2/_3$. Then if the newly added labour (=the sum of wages and profit)=1, the past labour which served it as material and means of labour=2. How then are these 2 replaced? The proportion of constant and variable capital may vary considerably within the various spheres of production of B. But on our assumption the average is as $^1/_3$:$^2/_3$, or 1:2. Each of the producers of B is now faced by $^2/_3$ of his product, such as coal, iron, flax, machinery, cattle, wheat (i.e., the part of his cattle and wheat that does not enter into consumption), etc., whose elements of production must be replaced, or which must be reconverted into the natural form of their elements of production. But all these products themselves re-enter industrial consumption. The wheat (as seed) is in turn also its own raw material, and a part of the cattle produced replaces what has been consumed, that is, itself. In these spheres of production of B (agriculture and stock-raising) only this part of their product therefore replaces their own constant capital in its natural form. A part of this product, therefore, does not go into circulation (at least need not go into circulation, and can only do so in a formal sense). Others of these products, such as flax, hemp, etc., coal, iron, timber, machinery, in part enter into their own production as means of production, in the same way as seed in agriculture; for example, coal in the production of coal, and machinery in the production of machinery. A part of the product consisting of machinery and coal, and in fact a part of that part of this product which represents its constant capital, thus replaces itself and merely changes its place [in the process of production]. It changes from a product into its own means of production.

Another part of these and of other products reciprocally enter into each other as elements of production—machinery into iron and timber, timber and iron into machinery, oil into machinery and machinery into oil, coal into iron, iron (tram-rails, etc.) into coal, and so on. In so far as the $^2/_3$ of these products of B are not self-replacing in this way—that is, do not come back in their natural form into their own production, so that a part of B is directly consumed industrially by its own producers, just as a part of A is directly consumed individually by its own producers—the products of the producers of B replace each other reciprocally as means of production. The product of a goes into b's industrial consumption and the product of b into a's industrial consumption; or in a roundabout way, a's product into b's industrial consumption, b's product into that of c, and that of c into that of a. What therefore is consumed as constant capital in one of B's spheres of production is newly produced in another; but what is consumed in the latter is produced in the former. What in one sphere passes from the form of machinery and coal into the form of iron, passes in the other from the form of iron and coal into machinery, and so on.

[IX-390] What has to be done is to replace B's constant capital in its natural form. If we consider B's total product, it represents the entire constant capital in all its natural forms. And where the product of one particular sphere of B cannot replace its own constant capital *in natura* purchase and sale, a change of hands, puts everything here in its proper place again.

Here, therefore, there is replacement of constant capital by constant capital; in so far as this does not occur directly and without exchange, here *therefore* there is *exchange of capital for capital*, that is, of products for products on the basis of their use value; the products enter reciprocally into their respective production processes, so that each of them is industrially consumed by the producers of the other.

This part of the capital resolves neither in profit nor in wages. It contains no newly added labour. It is not exchanged against revenue. It is neither directly nor indirectly paid for by consumers. It makes no difference whether this reciprocal replacement of capitals is carried through with the aid of merchants (that is, by merchant capitals) or not.

But since these products are new (machinery, iron, coal, timber, etc., which reciprocally replace each other), since they are the products of the last year's labour—thus the wheat which serves as seed is just as much a product of new labour as the wheat which passes into consumption, etc.—how can it be said that no newly added labour is contained in these products? And moreover isn't their form striking evidence to the contrary? Even if not in the case of wheat or cattle, surely in the case of a machine, its form bears witness to the labour which has transformed it from iron, etc., into a machine, and so forth.

This problem has been solved earlier.[a] [5] It is not necessary to go into it here again.

//Adam Smith's statement that the TRADE between DEALERS AND DEALERS must be=to the TRADE between DEALERS and CONSUMERS[36] (by which he means direct, not industrial, consumers, since he himself includes industrial consumers among DEALERS) is therefore wrong. It is based on his false assertion that the whole product consists of revenue, and in fact only means that the part of the commodity exchange which is equal to the EXCHANGE BETWEEN CAPITAL AND REVENUE is

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[a] See this volume, pp. 84-94, 113-14.—*Ed.*

equal to the TOTAL EXCHANGE OF COMMODITIES. As the assertion is wrong, the practical applications Tooke made of it for the circulation of money are also wrong (especially the relation between the quantity of money circulating between DEALERS and the quantity of money circulating between DEALERS and CONSUMERS).[60]

Let us take as the final DEALER confronting the CONSUMER the merchant who buys the product of A; this product is bought from him by the revenue of A,$=\frac{1}{3}$ of A, and by the revenue of B,$=\frac{2}{3}$ of A. These replace his merchant capital for him. The total of their revenues must cover his capital. (The profit which the rascal makes must be accounted for by his retaining a part of A for himself, and selling a smaller part of A for the value of A. Whether the rascal is thought of as a necessary agent of production or as a sybaritic intermediary does not in any way alter the case.) This EXCHANGE between DEALER and CONSUMER of A covers in value the EXCHANGE between the DEALER in A and all the producers of A, and consequently all DEALINGS between these producers among themselves.

The merchant buys the linen. This is the last DEALING between DEALER and DEALER. The linen weaver buys yarn, machinery, coal, etc. This is the last but one DEALING between DEALER and DEALERS. The spinner buys flax, machinery, coal, etc. This is the last DEALING but two between DEALER and DEALERS. The flax-grower and machine builder buy machines, iron, etc., and so on. But the DEALINGS between the producers of flax, machinery, iron, coal, to replace their constant capital, and the value of these DEALINGS, do not enter into the DEALINGS which A's product passes through, whether as the exchange of revenue for revenue, or as the exchange of revenue for constant capital. These DEALINGS—not those between the producers of B and the producers of A, but those between the producers of B—have not to be replaced by the buyer of A to the seller of A, any more than the value of this part of B enters into the value of A. These DEALINGS too require money, and are carried out through merchants. But the part of the circulation of money which exclusively belongs to this sphere is completely separate from that between DEALERS and CONSUMERS.//

[IX-391] Two questions are still to be solved:

1) In our investigation up to now wages have been treated as revenue, without being distinguished from profit. How far in this connection have we to take account of the fact that wages are at the same time part of the circulating capital of the capitalist?

2) Up to now it has been assumed that the total revenue is spent as revenue. The ALTERATION that comes in when a part of the

revenue, of the profit, is capitalised, has therefore to be considered. This in fact coincides with the examination of the process of accumulation—but not in its formal aspect. That a part of the product which represents SURPLUS VALUE is reconverted, partly into wages and partly into constant capital, presents no difficulty. Here we have to examine how this affects the exchange of commodities under the headings previously considered—under which it can be examined in relation for its bearers, that is to say, as exchange of revenue for revenue, exchange of revenue for capital, or finally, exchange of capital for capital.//

//This intermezzo has therefore to be completed in this historico-critical section, as occasion warrants.[61]//

Ferrier (F. L. A.) (*sous inspecteur des douanes*[a]): *Du Gouvernement considéré dans ses rapports avec le commerce*, Paris, 1805. (This was the main source for Friedrich List.[b]) This fellow eulogises the *Bonapartist* system of prohibitions, etc. In fact the Government (therefore also State officials—those unproductive labourers) is in his view important, as a MANAGER directly intervening in production. This customs officer is consequently extremely angry with Adam Smith for calling State officials unproductive.

"The principles which Smith *has laid down in regard to the economy of nations* have as their basis a distinction between productive and unproductive labour...."[c]

//Because in fact he wants the largest possible part to be spent as capital, i.e., in exchange for productive labour, and the smallest possible part as revenue, in exchange for unproductive labour.//

"This distinction is in essence false. *There is no unproductive labour*" (p. 141). "There is therefore economy and prodigality on the part of nations; but a nation is only prodigal or economic in its relations with *other* peoples, and it is from this standpoint that the question should be considered" (l.c., p. 143).

In a moment we shall quote for comparison the context of the passage from Adam Smith which Ferrier regards with such abomination.

"There is an economy on the part of nations, but it is very different from what Smith recommends," Ferrier says. "It consists in not buying foreign products except in so far as a nation can pay for them with its own. It consists sometimes in doing without them altogether" (l.c., pp. [174,] 175).[c]

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[a] Sub-inspector of Customs.—*Ed.*

[b] F. List, *Das nationale System der politischen Oekonomie*, Vol. I, Stuttgart and Tübingen, 1841.—*Ed.*

[c] Marx quotes Ferrier partly in French, partly in German.—*Ed.*

//B. I, Ch. VI, (ed. Garnier, t. I, pp. 108, 109) [Vol. I, p. 92][14] *Adam Smith* says at the end of this chapter which deals with "*des parties constituantes du prix des marchandises*"[a]:

"As in a civilised country there are *but few commodities of which the exchangeable value arises from labour only, rent and profit contributing largely to that of the far greater part of them, so the annual produce of its labour will always be sufficient to purchase or command a much greater quantity of labour than what was employed in raising, preparing, and bringing that produce to market.* If the *society were annually to employ all the labour which it can annually purchase, as the quantity of labour would increase greatly every year,* so the produce of every succeeding year would be of vastly greater value than that of the foregoing. But there is no country *in which the whole annual produce is* employed in maintaining the industrious. The idle everywhere consume a great part of it; and, according to the different proportions in which it is annually divided between those two different orders of people, its ordinary or average value must either annually increase or diminish, or continue the same from one year to another."

There is confusion of all kinds in this passage, in which Smith is in fact trying to solve the problem of accumulation.

First, once again there is the wrong assumption that the "exchangeable value" of the annual product of labour, and so also "*the annual produce of labour*", resolves itself into wages and profits (including rents).[62] We will not deal again with this nonsense. We only observe: the amount of the annual product—or of the funds, the STOCKS of commodities which are the annual product of labour—consists for the most part [IX-392] of commodities *in natura* which can only enter as elements into constant capital //raw materials, seed, machinery, etc.//, which can *only* be consumed industrially. The very *use value* of these commodities (and they form the larger part of the commodities entering into constant capital) shows that they are not suitable for individual consumption; that therefore revenue cannot be expended on them, whether it is wages, profit or rent. A part of the raw materials (in so far as it is not required for the reproduction of raw materials themselves, or in so far as it does not enter into the fixed capital as *matière instrumentale* or directly as a component part) will, it is true, later on be given a consumable form, but only through the labour of the current year. As a product of the previous year's labour these raw materials themselves form no part of revenue. It is only the consumable part of the product that can be consumed, can enter into individual consumption and thus form revenue. But even a part of the consumable product cannot be consumed without making reproduction impossible. One part even of the consumable part of commodities therefore must be deducted

[a] The component parts of the price of commodities.—*Ed.*

which must be *consumed industrially*, that is, it must serve as material of labour, as seed, etc., not as means of subsistence, whether for labourers or for capitalists. This part of the product therefore has *d'abord* to be deducted from Adam Smith's calculation—or rather has to be added to it. If *the productivity of labour* remains *the same*, then this part of the *product* which does not consist of revenue remains the same from year to year; provided that, with the productivity of labour remaining the same, the same quantity of labour time as before is employed.

On the assumption therefore that a *greater quantity* of labour than before is used each year, we have to see what happens to the constant capital. In short: in order to employ a greater quantity of labour, it is not enough either that a *greater quantity of labour* should be available, or that a *greater quantity should be paid for*, that is, more should be spent in wages; but the means of labour—raw material and fixed capital—must also be there in order to absorb a greater quantity of labour. Hence this point is still to be discussed *after* the points raised by Adam Smith have been cleared up.

So then, once more [we take] his first sentence:

> "As in a civilised country there are but few commodities of which the exchangeable value *arises from labour only, rent and profit contributing largely* to that of the far greater part of them, *so the annual produce of its labour* will always be sufficient *to purchase or command* a much greater *quantity of labour* than *what was employed in raising,* preparing, and bringing *that produce* to market" (in other words, to produce it).

Here different things are obviously mixed up. Not only *living labour,* living labour employed during the current year, enters into the exchangeable value of the total annual product, but also past labour, product of the labour of past years. Not only labour in living form, but labour in objectified form. The exchangeable value of the product=the total labour time which it contains, a part of which consisted of living labour and a part of objectified labour.

Let the proportion of the former to the latter be as $^1/_3$:$^2/_3$, 1:2. Then the value of the total product=3, of which 2 are objectified labour time and 1 living labour time. The *value* of the total product can therefore buy more living labour than is contained in it, on the assumption that objectified labour and living labour are exchanged for each other as equivalents, that a definite quantity of objectified labour commanded only a quantity of living labour equal to itself. For the product=3 days' labour; but the living labour time contained in it=1 day's labour only. 1 day's living labour sufficed to produce the product (in fact, only to give the final form to its elements). But 3 days' labour is contained in it. Therefore if it was exchanged entirely against living labour time, if it was employed only "to purchase or command" quantities of living labour, it would be able to command, to purchase, 3 days' labour.

This however is evidently not what Adam Smith has in mind, and would be a quite useless premiss for him. What he means is that a large part of the exchangeable value of the product does not resolve itself (or as he *wrongly* expresses it, because of a confusion of ideas noted earlier[63]) into wages, but into profits and rents, or, as we will say to simplify things, into profits. In other words, the part of the value of the product which=the quantity of labour added during the last year—thus IN FACT the part of the product which in the proper meaning of the word is the product of last year's labour—pays first the labourers and secondly enters into the capitalist's revenue, his fund for consumption. This whole part of the total product arises from labour, and indeed exclusively from labour; but it consists of paid and unpaid labour. The wages are equal to the total of the paid labour, the profits [IX-393] to the total of the unpaid labour. If therefore this total product was expended in wages, it could naturally set in motion a greater quantity of labour than that of which it was the product; and in fact the proportion in which the product can set in motion more labour time than it itself contains depends exactly on the proportion in which the working day is divided into paid and unpaid labour time.

Let us assume that the proportion is such that the labourer produces or reproduces his wages in 6 hours, that is, in half a day. Then the other 6 hours or the other half day forms the SURPLUS. Thus for example of a product which contained 100 days' labour,=£50 (when the day's labour=10s., making 100 days' labour=1,000s., or £50), there would be £25 for wages and £25 for profit (rent). With the £25,=50 days' labour, 100 labourers would have been paid, who would have worked precisely half their labour time for nothing or for their MASTERS. If therefore the whole product (of the 100 days' labour) were to be expended in wages, then 200 labourers could be set in motion with the £50, each of whom would receive as wages 5s. or half the product of his labour as before. The product of these labourers would=£100 (that is, 200 days' labour=2,000s.=£100), with which 400 labourers (5s. the labourer, making 2,000s.) could be set in motion, whose product would=£200, and so on.

And this is what Adam Smith means by saying that "the annual produce of labour" will always be sufficient "to purchase or command a much greater quantity of labour" than what was employed to produce the product. (If the labourer were paid the whole product of his labour, that is, £50 for 100 days' labour, then the £50 too could only set in motion 100 days' labour.) And so Smith goes on to say:

"If the society were annually to employ all the labour which it can annually purchase, as the quantity of labour would increase greatly every year, so the produce of every succeeding year would be of vastly greater value than that of the foregoing." [a]

A part of this product however is consumed by the owners of profit and rent; a part by their parasites. The part of the product that can be expended again in (productive) labour is consequently determined by the part of the product which the capitalists, landlords and their parasites (that is the unproductive labourers) do not themselves consume.

But nevertheless there is always a new fund (a new fund of wages) to set in motion, with the previous year's product, a greater quantity of labourers in the current year. And as the value of the annual product is determined by the quantity of labour time employed, the value of the annual product will grow each year.

Of course it would be of no use to have the fund "*to purchase* or *command*" a "much greater quantity of labour" than in the previous year unless a greater quantity of labour was on the market. It is of no use to me to have more money to buy a commodity, unless more of this commodity is on the market. Let us assume that the £50 set in motion, instead of the 100 as before (who received £25), not 200 but only 150 labourers, while the capitalists themselves consumed £12 10s. instead of £25. The 150 labourers (=£37 10s.) would perform 150 days' labour=1,500s.=£75. But if the quantity of labourers available were, as before, only 100, instead of £25 as before, they would receive £37 10s. as wages, though their product [would amount to] only £50 as before. Thus the revenue of the capitalist would have fallen from £25 to £12 10s., because wages had risen by 50%. Adam Smith knows, however, that an increasing quantity of labour will be available. Partly [due to] the annual increase of the population (though this is supposed to be provided for in the old wages), partly unemployed paupers, or half-employed labourers, etc. Then the large numbers of unproductive labourers, part of

[a] See this volume, p. 152.—*Ed.*

whom can be transformed into *productive* labourers by a different way of using the SURPLUS PRODUCE. Finally the same number of labourers can perform a *greater quantity* of labour. And whether I pay 125 labourers instead of 100, or whether the 100 work 15 hours a day instead of 12, WOULD BE QUITE THE SAME THING.

It is incidentally an error of Adam Smith's—directly connected with his analysis of the total product into revenue—to say that with the increase of the productive capital—or with the growth of the part of the annual product which is destined for reproduction—the *labour employed* (the living labour, the part of capital expended in wages) must increase in the same proportion.

[IX-394] Thus first Adam Smith has a fund of consumable means of subsistence, which can "purchase or command" a greater quantity of labour this year than the foregoing year; he has more labour; and at the same time more means of subsistence for this labour. Now we must see how this ADDITIONAL QUANTITY OF LABOUR is to be realised.//

Had Adam Smith adhered with full consciousness to the analysis of SURPLUS VALUE which in substance is to be found in his work—which is created only in the exchange of capital against wage labour—it would have followed that productive labour is only that which is exchanged against capital: never labour which is exchanged with revenue as such. In order for revenue to be exchanged against productive labour, it must first be transformed into capital.

But taking as his starting-point one aspect of the traditional view—that productive labour is labour which directly produces material wealth of any kind—and at the same time combining with this his distinction in so far as it is based on the exchange of either capital for labour or of revenue for labour, with Smith the following became possible: The kind of labour for which capital is exchanged is always productive (it always creates material wealth, etc.). The kind of labour which is exchanged for revenue may be productive or it may not; but the spender of revenue as a rule prefers to set in motion directly unproductive labour RATHER than productive. One can see how Adam Smith, by this compound of his two distinctions, very much weakens and blunts the principal distinction.[a]

The following quotation shows that Adam Smith does not take the fixation of labour in a purely external sense; among the various component parts of the fixed capital is enumerated:

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[a] See this volume, pp. 11-29.—*Ed.*

"4), of the acquired and useful abilities of all the inhabitants and members of the society. The acquisition of such talents, by the maintenance of the acquirer during his education, apprenticeship or study, always costs a real expense, which is a capital fixed and realised, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labour, and which, though it costs a certain expense, repays that expense with a profit" ([Garnier,] l.c., t. II, l.II, ch. I, pp. 204, 205) [Vol. II, p. 12].

The strange origin of accumulation and *its necessity:*

"In that rude state of society, in which there is no division of labour, in which exchanges are seldom made, and in which every man provides every thing for himself, *it is not necessary that any stock should be accumulated, or stored up beforehand, in order to carry on the business of the society*"

(that is, after assuming *qu'il n'y pas de société*[a]).

"Every man endeavours to supply, by his own industry, his own occasional wants, as they occur. When he is hungry, he goes to the forest to hunt etc." ([Garnier,] t. II, pp. 191, 192) (l.II, *Introduction*) [Vol. II, p. 1]. "But when the division of labour has once been thoroughly introduced, the produce of a man's own labour can supply but a very small part of his occasional wants. The far greater part of them are supplied by *the produce of other men's labour,* or, what is the same thing, the price of the produce of his own. But this *purchase* cannot be made till such time as *the produce of his own labour* has not only been *completed,* but *sold.*"

(Even in the first case he could not eat the hare before he had killed it, and he could not kill it before he had produced for himself the classical "*arc*"[b] or SOMETHING SIMILAR. The only thing that seems to be added in CASE II is therefore not the necessity of a stock OF ANY SORT, but the "time ... as the produce of his own labour has been *sold*".)

"*A stock of goods of different kinds,* therefore, must be *stored up* somewhere, sufficient to maintain him, and to supply him with the materials and tools of his work, till such time at least as both these events can be brought about. A weaver *cannot apply himself entirely* to his peculiar business, unless there is beforehand stored up somewhere, *either in his own possession, or in that of some other person, a stock* sufficient to maintain him, and to supply him with the materials and tools of his work, till he has not only completed, but sold his web. This *accumulation must* evidently *be previous* to his applying his industry for so long a time to such a peculiar business.... *The accumulation of* stock *must,* in the nature of things, *be previous to the division of labour*" ([Garnier,] l.c., pp. 192-93) [Vol. II, p. 2].

(On the other hand, according to what he has stated at the beginning, it appears that no accumulation OF CAPITAL takes place *before* the DIVISION OF LABOUR, just as there is no DIVISION OF LABOUR before the ACCUMULATION OF CAPITAL.)

He continues:

[a] That there is no society.— *Ed.*

[b] Bow.— *Ed.*

"Labour can be more and more subdivided in proportion only as stock is previously more and more accumulated. *The quantity of materials which the same number of people can work up, increases in a great proportion* as labour comes to be more and more subdivided; and as the operations of each workman are gradually reduced to a greater degree of simplicity, a variety of new machines come to be invented for facilitating and [IX-395] abridging these operations. As the division of labour advances, therefore, in order to give constant employment to an equal number of workmen, *an equal stock of provisions*, and *a greater stock of materials and tools* than what would have been necessary in a ruder state of things, must be *accumulated beforehand*" ([Garnier,] l.c., pp. 193-94) [Vol. II, pp. 2-3]. "As *the accumulation of stock is previously necessary* for carrying on this great improvement in the productive powers of labour, so that accumulation naturally leads to this improvement. *The person who employs his stock in maintaining labour*, necessarily wishes to employ it in such a manner as to produce as great a quantity of work as possible. He endeavours, therefore, both to make among his workmen the most proper distribution of employment, and to furnish them with the best machines which he can either invent or afford to purchase. His abilities, in both these respects, are generally in proportion to the extent of his stock, or to the number of people whom it can employ. *The quantity of industry*, therefore, *not only increases in every country with the increase of the stock* which employs it, but, *in consequence of that increase*, the same *quantity of industry produces a much greater quantity of work*" ([Garnier,] pp. 194-95) [Vol. II, p. 3].

Adam Smith treats the objects which are already in the fund for consumption in exactly the same way as PRODUCTIVE and UNPRODUCTIVE LABOUR. FOR INSTANCE:

"A dwelling-house, as such, contributes nothing to the revenue of its inhabitant; and though it is, no doubt, extremely useful to him, it is as his clothes and household furniture are useful to him, which, however, make a part of his expense, and not of his revenue" ([Garnier,] l.c., t. II, l. II, ch. I, pp. 201, 202) [Vol. II, p. 9]. On the other hand, fixed capital includes "all those profitable buildings which are the means of procuring a revenue, not only to their proprietor who lets them for a rent, but to the person who possesses them, and pays that rent for them; such as shops, warehouses, workhouses, farm-houses, with all their necessary buildings, stables, granaries, etc. These are very different from mere dwelling-houses. They are a sort of instruments of trade" ([Garnier,] l.c., l. II,[a] ch. I, pp. 203, 204) [Vol. II, p. 11].

"All such improvements in mechanics, as enable the same number of workmen to perform an equal quantity of work with cheaper and simpler machinery than had been usual before, are always regarded as advantageous to every society. A certain quantity of materials, and [the labour] of a certain number of workmen, which had before been employed in supporting a more complex and expensive machinery, can now be applied to augment the quantity of work which that or any other machinery is useful only for performing" ([Garnier,] l.c., t. II, l. II, ch. II, pp. 216, 217) [Vol. II, pp. 20-21].

"The whole expense of maintaining the *fixed capital* is ... necessarily excluded from the neat revenue of the society" ([Garnier,] l.c., t. II, l. II, ch. II, p. 218) [Vol. II, p. 21]. "Every saving, therefore, in the expense of maintaining the *fixed capital*, which does not diminish the productive powers of labour, must increase the fund which puts industry into motion, and consequently the annual produce of

[a] The manuscript has "l. I".—*Ed.*

land and labour, the real revenue of every society" ([Garnier,] l.c., t. II, l. II, ch. II, pp. 226, 227) [Vol. II, p. 28].

Metallic money forced out of the country by bank-notes and by paper money in general—if spent "in purchasing foreign goods for home consumption"—buys either luxury products such as foreign wines, foreign silks, etc., in a word, "goods ... likely to be consumed by *idle people*, who produce nothing ... or ... they may purchase *an additional stock of materials, tools, and provisions, in order to maintain and employ an additional number of industrious people, who reproduce, with a profit, the value of their annual consumption*" ([Garnier,] t. II, l. II, ch. II, pp. 231, 232) [Vol. II, p. 32].[a]

The first manner OF EMPLOYMENT, says Smith, promotes prodigality, "increases expense and consumption, without increasing production, or establishing any permanent fund for supporting that expense, and is in every respect hurtful to the society" ([Garnier,] l.c., t. II, p. 232) [Vol. II, p. 32].[a] On the other hand "employed in the second way, it promotes industry; and though it increases the consumption of the society, it provides a permanent fund for supporting that consumption; *the people who consume reproducing, with a profit, the whole value of their annual consumption*" ([Garnier,] t. II, l. II, ch. II, p. 232) [Vol. II, p. 33].

"The quantity of industry which any capital can employ, must evidently be equal to the number of workmen whom it can supply with materials, tools, and a maintenance suitable to the nature of the work" ([Garnier,] l.c.,l. II, ch. II, p. 235) [Vol. II, p. 34].

[IX-396] In *Book II, Ch. III* ([Garnier,] l.c., t. II, p. 314 sqq.) [Vol. II, p. 96 sqq.] we find:

"Both productive and unproductive labourers, and those who do not labour at all, are all equally maintained by the annual produce of the land and labour of the country. This produce ... must have certain limits. According, therefore, as a smaller or greater proportion of it is in any one year employed in maintaining unproductive hands, the more in the one case, and the less in the other, will remain for the productive, and the next year's produce will be greater or smaller accordingly....

"Though the whole annual produce of the land and labour of every country is ... ultimately destined for supplying the consumption of its inhabitants, and for procuring a revenue to them; *yet when it first* comes either from the ground, or from the hands of the productive labourers, it naturally divides itself into two parts. One of them, and frequently the largest, is, in the first place, destined for *replacing a capital, or for renewing the provisions, materials, and finished work*, which had been withdrawn from a capital; the other for constituting a revenue either to the owner of this capital, as the profit of his stock, or to some other person, as the rent of his land....

"*That part of the annual produce of the land and labour of any country which replaces a capital*, never is immediately employed to maintain any but productive hands. It pays the wages of productive labour only. That which is immediately destined for constituting a revenue ... may maintain indifferently either productive or unproductive hands....

"Unproductive labourers, and those who do not labour at all, are all maintained *by revenue*; either, first, by that part of the annual produce which is originally destined for constituting a revenue to some particular persons, either as the

[a] Marx quotes Smith partly in French, partly in German.—*Ed.*

revenue[a] of land, or as the profits of stock; or, secondly, by that part which, though originally destined for replacing a capital, and for maintaining productive labourers only, yet when it comes into their hands, whatever part of it is over and above their necessary subsistence, may be employed in maintaining indifferently either productive or unproductive hands. Thus even the common workman, if his wages are considerable, may maintain a menial servant; or he may sometimes go to a play or a puppet-show, and so contribute his share towards maintaining one set of unproductive labourers; or finally he may pay some taxes, and thus help to maintain another set ... equally unproductive. No part of the annual produce, however, which had been originally destined to replace a capital, is ever directed towards maintaining unproductive hands, till after it has put into motion its full complement of productive labour.... The workman must have earned his wages by work done, before he can employ any part of them in this manner.... The rent of land and the profits of stock are everywhere ... the principal sources from which unproductive hands derive their subsistence." These two sorts of revenue "might both maintain indifferently, either productive or unproductive hands. They seem, however, to have some predilection for the latter....

"The proportion, therefore, between the productive and unproductive hands, depends very much in every country upon the proportion between that part of the annual produce, which, as soon as it comes either from the ground, or from the hands of the productive labourers, is destined for replacing a capital, and that which is destined for constituting a revenue, either as rent or as profit. This proportion is very different in rich from what it is in poor countries."

Smith then contrasts

the "very large, frequently the largest, portion of the produce of the land" which "in the opulent countries of Europe *is destined for replacing the capital of the rich and independent farmer*" with "the prevalency of the feudal government", when "a very small portion of the produce was sufficient to replace the capital employed in cultivation...".

It is the same with commerce and manufactures. Large capitals are now employed in them, formerly very small capitals, but they "yielded very large profits. The rate of interest was nowhere less than 10 per cent, and their profits must have been sufficient to afford this great interest. At present, the rate of interest, in the improved parts of Europe, is nowhere higher than 6 per cent; and in some of the most improved, it is so low as 4, 3, and 2 per cent. Though that part of the revenue of the inhabitants which is derived from the profits of stock, is always much greater in rich than in poor countries, it is because the stock is much greater; in proportion to the stock, the profits are generally much less.

"That part of the annual produce, therefore, which, as soon as it comes either from the ground, or from the hands of the productive labourers, is destined for replacing a [IX-397] capital, is not only much greater in rich than in poor countries, but bears a much greater proportion to that which is immediately destined for constituting a revenue either as rent or as profit. The funds destined for the maintenance of productive labour are not only much greater in the former than in the latter, but bear a much greater proportion to those which, though they may be employed to maintain either productive or unproductive hands, have generally a predilection for the latter."[b]

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[a] Smith has "rent" here.—*Ed.*

[b] Marx quotes Smith partly in French, partly in German, with some alterations.—*Ed.*

(Smith falls into the error of identifying the size of the productive capital with the *size of that part of it* which is destined to provide subsistence for productive labour. But IN FACT large-scale industry, as he knew it, was as yet only in its beginnings.)

"The proportion between those different funds necessarily determines in every country the general character of the inhabitants as to industry or idleness." Thus he says for example: in English and Dutch manufacturing towns "where the inferior ranks of people are chiefly maintained by the employment of capital, they are in general industrious, sober, and thriving". On the other hand, in "towns which are principally supported by the residence of a court, and in which the inferior ranks of people are chiefly maintained by the spending of revenue, they are in general idle, dissolute, and poor; as at Rome, Versailles",[a] etc.

"The proportion between the sum of capitals and that of revenue, therefore, seems everywhere to regulate the proportion between industry and idleness. Wherever capital predominates, industry prevails: wherever revenue, idleness. *Every increase or diminution of capital*, therefore, naturally tends to increase or diminish the real quantity of industry, the number of productive hands, and consequently the exchangeable value of the annual produce of the land and labour of the country, the real wealth and revenue of all its inhabitants....

"What is annually saved is as regularly consumed as what is annually spent, and nearly in the same time too; but it is consumed by a different set of people. The first portion of revenue by idle guests and menial servants, who leave nothing behind them in return for their consumption. The second [portion] by labourers[b] who reproduce, with a profit, the value of their annual consumption.... The consumption is the same, but the consumers are different...."[c]

Hence Smith's homilies (further on [Garnier,] l.c., l. II, ch. III, pp. 328, 329 sqq.) [Vol. II, pp. 107, 108, 109] on

the frugal man, who by his annual savings provides something like a public workhouse for an additional number of productive hands, and thus "establishes, as it were, a perpetual fund for the maintenance of an equal number of productive hands", while the prodigal diminishes "the funds destined for the employment of productive labour.... If the quantity of food and clothing, which were thus" (as a result of the prodigal's prodigality) "consumed by unproductive, had been distributed among productive hands, they would have *reproduced, together with a profit*, the full value of their consumption...".[d]

The conclusion of this moral tale is that these (frugality and prodigality) average out among private individuals, that IN FACT "*la sagesse*"[e] prevails.

Great nations "are never impoverished by private, though they sometimes are by public prodigality and misconduct. The whole, or almost the whole public

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[a] Marx quotes Smith partly in French, partly in German, with some alterations.—*Ed.*

[b] Smith has "labourers, manufacturers, and artificers".—*Ed.*

[c] Marx quotes Smith partly in French, partly in German, with some alterations.—*Ed.*

[d] Marx quotes Smith partly in French, partly in German.—*Ed.*

[e] Wisdom.—*Ed.*

revenue is, in most countries, employed in maintaining unproductive hands. [These include] the people of the court (p. 336) [Vol. II, p. 113], the church, fleets and armies, who in time of peace produce nothing, and in time of war acquire nothing which can compensate the expense of maintaining them, even while the war lasts. *Such people, as they themselves* produce nothing, *are all maintained by the produce of other men's labour.* When multiplied, therefore, to an unnecessary number, they may in a particular year consume so great a share of this produce, as not to leave a sufficiency for maintaining the productive labourers, who should reproduce it next year..." [Garnier, t. II, pp. 314-36] [Vol. II, pp. 113-14].[14]

Book II, Ch. IV:

"The demand for productive labour, by the increase of the funds which are destined for maintaining it, grows every day greater and greater. Labourers easily find [IX-398] employment, but the owners of capitals find it difficult to get labourers to employ. Their competition raises the wages of labour, and sinks the profits of stock" ([Garnier,] l.c., t. II, p. 359) [Vol. II, p. 132].

In Book II, Ch. V ([Garnier,] t. II, p. 369 sqq.) [Vol. II, p. 141 et seq.] "Of the Different Employment of Capitals", Smith classifies them according as they employ more or less productive labour, and, CONSEQUENTLY, raise "the exchangeable value" of the annual product. First *agriculture*. Then *manufacture*. Then *commerce*, and finally *retail trade*. This is the order of precedence in which they *mettent en activité des quantités de travail productif*.[a] Here too we get a completely new definition of productive labourers:

"The persons whose capitals are employed in any of those four ways, are themselves *productive labourers*. Their labour, when properly directed, fixes and realises itself in the subject or vendible commodity upon which it is bestowed, and generally adds to its price the value at least of their own maintenance and consumption" ([Garnier,] l.c., p. 374) [Vol. II, p. 146].

//On the whole he sees their productivity in the fact that they put into motion productive labour.//

He says of *the farmer*:

"No equal capital puts into motion a greater quantity of *productive labour* than that of the farmer. Not only his labouring servants, but *his labouring cattle are productive labourers*" [Garnier, t. II, p. 376] [Vol. II, p. 148].

So in the end the ox too is a productive labourer.

Lauderdale (Earl of): *An Inquiry into the Nature and Origin of Public Wealth etc.*, London, 1804. (The French translation: *Recherches sur la nature et l'origine de la richesse publique etc.* by *Lagentie de Lavaïsse*, Paris, 1808).

Lauderdale's apologetic justification of profit will be examined only later on, in Section III.[29] It regards profit as arising from capitals themselves, because they "*supplant*" labour. They are paid

[a] Set in motion quantities of productive labour.— *Ed.*

for doing what otherwise, without them, the hand of man would have to do, or could not do at all.

("Now it will be seen that the profit of capital always derives either from its supplanting a portion of labour which would otherwise have to be performed by the hand of man; or from its performing a portion of labour which is beyond the reach of the personal exertion of man to accomplish" (p. 119) [p. 161].)[a]

The "Earl" is a great enemy of Smith's doctrine of accumulation and saving. Also of his distinction between *productive* and *unproductive labourers*; but according to him what Smith calls "productive powers of labour" are only the "productive power of capital". He flatly denies the derivation of SURPLUS VALUE put forward by Smith, on the following grounds:

"If this, however, was a just and accurate idea of the profit of capital, it would follow that the profit of stock must be a derivative, and not an original source of wealth[b]; and capital could not therefore be considered as a source of wealth, its profit being only a transfer from the pocket of the labourer into that of the proprietor of stock" (l.c., pp. 116-17) [pp. 157-58].[c]

It is clear that on these premisses he picks on the most superficial points in his polemic against Smith. Thus he says:

"Thus the same labour may appear either productive or unproductive, according to the use subsequently made of the commodity on which it was bestowed. If my cook, e.g., makes a tart which I immediately consume, he is considered as an unproductive labourer; and the act of making the tart is unproductive labour; because that service has perished at the moment of its performance; but if the same labour is performed in a pastry cook's shop, it becomes productive labour" (l.c., p. 110) [pp. 149-50].

(*Garnier* has the copyright in this argument, as his edition and notes on Smith appeared in 1802, two years before Lauderdale.)

"This extraordinary distinction, founded on the mere durability of the services performed, classes as unproductive labourers some of those who are occupied in rendering the most important services to society. Thus the sovereign, and all who are employed in the maintenance of religion, the justice, or the defence of the State, as well as those whose skill ... are occupied in superintending the health and education of the society, are alike deemed unproductive labourers" (l.c., pp. [110-]11) [p. 151]. (Or, as Adam Smith [Garnier,] t. II, l. II, ch. III, p. 313) [Vol. II, p. 95] *presents the elegant sequence:* "churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, etc.") "If exchangeable value is to be considered as the basis of wealth,—it is needless to use much argument to explain the errors of this doctrine. [IX-399] The practice of mankind, in estimating these services, if we can judge by what is paid for them, bears sufficient testimony of its inaccuracy" [pp. 151-52].

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[a] The page references in square brackets are to the English edition mentioned by Marx above.—*Ed.*

[b] Lauderdale has "revenue".—*Ed.*

[c] Marx quotes Lauderdale partly in German, partly in French.—*Ed.*

Further:

"The labour of the manufacturer fixes and realises itself in some vendible commodity.... Neither the *labour performed by the menial servant*, nor that of which the necessity is supplanted by circulating capital," //by this he means *money*// "do naturally stock, or store themselves up in such a manner as to be transferred from one to another for a defined value. The profit of the one and the other alike arises from *saving the labour of the owner* or master. The similarity is indeed such, that it is natural to suppose the same circumstances which led the one to be deemed unproductive, would naturally create the same impression with relation to the other" //and thereupon he quotes Smith, l. II, ch. II,[64]// (Lauderdale, l.c., pp. 144-45) [pp. 195-97].

Thus we would have the succession: Ferrier, Garnier, Lauderdale, Ganilh. The latter phrase about the "*saving of labour*"[a] is particularly hard ridden by *Tocqueville.*

After Garnier appeared the inane Jean Baptiste Say's *Traité d'économie politique.* He reproaches Smith in that

"he refuses the name of *products* to the *results* of these activities.[b] He gives the labour spent on them the name *unproductive*" (3rd ed., [Vol. I,] p. 117).

Smith does not at all deny that "these activities" produce a "result", a "product" of some kind. He even expressly mentions

"the protection, security, and defence of the commonwealth" as "the effect of their labour this year" (the labour of the servants of the public) (*Smith,* [Garnier,] t. II, l. II, ch. III, p. 313) [Vol. II, p. 95].

Say for his part sticks to Smith's secondary definition, that

these "services" and their product "generally perish in the very instant of their performance", "in the very instant of their production" (Smith, l.c.).[c]

Mr. Say calls these consumed "services", or their products, results—in a word, their use value—

"immaterial products or values, which are consumed in the instant of their production" [p. 116].

Instead of calling them "unproductive", he calls them "productive of immaterial products". He gives them another name. But then he declares further:

"that they do not serve to augment the national capital" (Vol. I, p. 119). "A nation in which there were a multitude of musicians, priests and officials, might be pleasantly entertained, well educated and governed admirably well, but that would be all. Its capital would not receive any direct increase from all the labour of these industrious men, because their products would be consumed as fast as they were created" (l.c., p. 119).

Thus Mr. Say declares these labours to be *unproductive* in the

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[a] See this volume, pp. 80, 193.—*Ed.*

[b] E.g., those of the physician, actor, etc.—*Ed.*

[c] See this volume, p. 19.—*Ed.*

most restricted sense used by Smith. But at the same time he wants to appropriate Garnier's "step forward". Hence he invents a new name for unproductive labours. This is his kind of originality, his kind of productivity and way of making discoveries. And with his customary logic, he refutes himself again. He says:

"It is impossible to accept the view of Mr. Garnier, who concludes from the fact that the labour of physicians, lawyers and other similar persons is productive, that it is as advantageous for a nation to increase it as any other labour" (l.c., p. 120).

And why not, if one kind of labour is as productive as the other, and the increase of productive labour is in general "advantageous for a nation"? Why is it not as advantageous to increase this kind of labour as any other? Because, Say replies with his characteristic profundity, because it is not at all advantageous to increase productive labour of *any* kind above the need for *this* labour. But then surely Garnier is right. For it is equally advantageous—that is, equally disadvantageous—to increase the one kind of labours as to increase the other kind above a certain quantity.

"The case is the same," Say continues, "as with physical labour expended on a product beyond what is necessary to make it."

(Not more joiner's labour should be employed to make a table than is necessary for the production of the table. Or to patch up a sick body, not more than is necessary to cure it. So LAWYERS and physicians should perform only the necessary labour for the production of their immaterial product.)

"The labour which is productive of immaterial products, *like all other labour*, is only productive up to the point at which it increases the utility, and consequently the value"

(that is, the use value, but Say mistakes the utility for the exchange value)

"of a product: beyond this point, it is a purely unproductive labour" (l.c., p. 120).

Say's logic is therefore this:

It is *not so useful* for a nation to increase the "producers of immaterial products" as to increase the producers of material products. *Proof*: it is absolutely useless to increase the producers of any kind of product, whether material or immaterial, beyond what is necessary. *Therefore* it is more useful to increase the useless producers of material products than those of immaterial products. It does not follow in both cases that it is useless to increase these producers, but only the producers of a particular kind in their corresponding branch of production.

[According to Say,] too many material products cannot [IX-400] be produced, nor can too many immaterial. But *variatio delectat.*[a] So different kinds must be produced in both departments. And moreover Mr. Say teaches:

"Sluggishness in the sale of some products arises from the scarcity of some others" [l.c., p. 438].

Therefore there can never be too many tables produced, but at most perhaps too few dishes to be put on the tables. If physicians increase too much in number, what is wrong is not that their SERVICES are available in superfluity, but perhaps that the SERVICES of other producers of immaterial products are in short supply—for example, prostitutes (see l.c., p. 123, where the industries of street-porters, prostitutes, etc., are grouped together, and where Say ventures to assert that the "apprenticeship" for a prostitute "amounts to nothing").

In the end, the scales come down on the side of the "unproductive labourers". With given conditions of production, it is known exactly how many labourers are needed to make a table, how great the quantity of a particular kind of labour must be in order to make a particular product. With many "immaterial products" this is not the case. The quantity of labour required to achieve a particular result is as CONJECTURAL as the result itself. Twenty priests together perhaps bring about the conversion that one fails to make; 6 physicians consulting together perhaps discover the remedy that one alone cannot find. In a bench of judges perhaps more justice is produced than by a single judge who has no control but himself. The number of soldiers required to protect a country, of police to keep up order in it, of officials "to govern it" well, etc.—all these things are problematical and are very often discussed for example in the English Parliament; although how much spinning labour is needed to spin 1,000 lbs of twist is known very exactly in England. As for other "productive" labourers of this kind, the concept of them includes the fact that the utility which they produce depends only on their number, consists in their number itself. For example, lackeys, who should bear witness to their MASTER's wealth and elegance. The greater the number of them, the greater the effect they are supposed to "produce". Thus Mr. Say sticks to his point: "unproductive labourers" can never be sufficiently increased in numbers.

Mr. G. Garnier had published in Paris in 1796 *Abrégé élémentaire des principes de l'économie politique.* Along with the Physiocratic view

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[a] A change is diverting.—*Ed.*

that agriculture alone is productive another is to be found (which to a great extent explains his polemic against Adam Smith), namely, that consumption (strongly represented by the "unproductive labourers") is the source of production, and that the volume of the latter is to be measured by the volume of the former. The unproductive labourers satisfy artificial needs and consume material products, and are thus in every way useful. He also polemises, therefore, against economy (thrift). On p. xiii of his preface we find:

"The fortune of an individual is enlarged by saving; the public fortune, *on the contrary*, derives its increase from the increase of consumption."

And on p. 240, in the chapter on public debts:

"The improvement and extension of agriculture and consequently the progress of industry and commerce have *no other cause* than the extension of artificial needs."

From this he concludes that public debts are a good thing, in that they increase these needs.[a]

Le comte Destutt de Tracy: *Élémens d'idéologie, IVe et Ve parties. Traité de la volonté et de ses effets*, Paris, 1826 ([First edition] 1815).

"All useful labour is really productive, and the whole labouring class of society equally deserves the name *productive*" (p. 87).

But in this productive class he distinguishes

"the labouring class which *directly produces* all our wealth" (p. 88)

—that is, what Smith calls THE PRODUCTIVE LABOURERS.

As against these, the *sterile* class consists of the rich, who consume their rent of land or rent on money. They are the *idle class*.

"The real *sterile* class is the class of idlers, who do nothing but live what is called *nobly* on the products of labours performed before them, whether these products are realised in landed property which they farm out, that is to say, which they *lease* to a labourer, or whether they consist in money or goods that they lend for a return, which also means to *lease* them. Those are the real drones of the hive (*fruges consumere nati*[b])" (p. 87); these idlers "can expend nothing but their *revenue*. If they break into [IX-401] their funds, nothing replaces them; and their consumption, increased for the moment, ceases for ever" (p. 237).

"This *revenue* is ... only a deduction from the products of activity of the industrious citizens" (p. 236).

How then does it stand with the labourers whom these idlers

[a] Marx wrote this sentence in French. See this volume, pp. 35, 79-84, 94-97.—*Ed.*

[b] Born to consume the fruits (Horace, *Epistolae*, Liber primus, Epistola II, 27).—*Ed.*

directly employ? In so far as they consume commodities, they do not consume actual labour, but the products of the productive labourers. Here therefore we are dealing with labourers for whose labour the idlers directly exchange their revenue, that is, with labourers who draw their wages directly from revenue, not from capital.

"Since the men to whom it" (the revenue) "belongs are idle, it is obvious that they *do not direct any productive labour.* All these labourers whom they pay are intended only to procure some enjoyment for them. No doubt these enjoyments are of different kinds.... The expenditure of all this class of men ... feeds a numerous population whose existence it makes possible, but one whose labour is completely sterile.... Some of it may be more or less fruitful, e.g. the construction of a house, the improvement of a landed estate; but these are particular cases when for the time being they cause productive labour to be performed.[65] Apart from these minor exceptions, the whole consumption of this species of capitalists is absolutely pure loss from the standpoint of reproduction, and an equally great diminution of the wealth that has been acquired" (p. 236).[a]

//Real political economy *à la* Smith treats the CAPITALIST only as personified capital, *M—C—M,* agent of production. But who is to consume the products? The labourers?—*Quod non.*[b] The capitalist himself? Then he is acting as a big idle consumer and not as a capitalist. The owners of land and money rents? They do not reproduce their consumption, and thereby are harmful to wealth. Nevertheless, there are also two correct aspects in this contradictory view, which regards the capitalist only as a real hoarder, not an illusory one like the hoarder proper: 1) capital (and hence the capitalist, its personification) is treated only as an agent for the development of the productive forces and of production; 2) it expresses the standpoint of emerging capitalist society, to which what matters is exchange value, not use value; wealth, not enjoyment. The enjoyment of wealth seems to it a superfluous luxury, until it itself learns to combine exploitation and consumption and to subordinate itself to the enjoyment of wealth.//

"To find how these revenues" (on which the idlers live) "have been formed it is always necessary to go back to the *industrial capitalists*" (p. 237, note).

The *industrial capitalists*—the 2nd sort of capitalists—

"include all the entrepreneurs in any industry whatever, that is to say, all the persons who, *having capitals,* ... employ their talent and their labour in turning them to account themselves instead of hiring them to others, and who consequently live neither on wages nor on revenues but on *profits*" (p. 237).

In Destutt it is quite clear—as with Adam Smith before him—that what on the surface is glorification of the productive

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[a] Marx quotes Destutt partly in German, partly in French.—*Ed.*
[b] But they don't.—*Ed.*

labourer is in fact only glorification of the *industrial capitalist* in contrast to LANDLORDS and SUCH MONIED CAPITALISTS as live only on their revenue.

"They have ... in their hands almost all the wealth of society.... It is not only the income from this wealth that they spend annually, but even the fund itself, and sometimes many times in the year, when the course of business is rapid enough to make this possible. For since in their capacity as industrialists they spend only in order that the money shall come back to them with a profit, the more they can do so on this condition, the greater their profits" (pp. 237-38).

As for their personal consumption, it is the same as that of the idle capitalists. But it is

"in total moderate, because industrialists are usually unassuming" (p. 238). But it is different with their industrial consumption, "it is nothing less than final; it returns to them with profits" (l.c.). Their profit must be large enough not only for their "personal consumption, but also" for "the rent of land and the interest on money which they obtain from the idle capitalists" ([p.] 238).

Destutt is right on this. Rents of land and interest on money are only "*deductions*" from industrial profit, portions of the latter given by the industrial capitalist from his gross profit to LANDLORDS and MONEYED CAPITALISTS.

"The revenues of the rich idlers are only rents taken from industry; it is industry alone that creates them" (p. 248). The industrial capitalists "rent their" (that is, the idle capitalists') "land, their houses and their money, and they make use of them in such a way as to *draw profits* from them *higher than this rent*" [p. 237]. That is, the rent which they pay to the idlers, which therefore is only a part of this profit. This rent that they thus pay to the idlers is "the sole revenue of these idlers and the sole fund for their annual expenditures" (p. 238).

Up to here, ALL RIGHT. But how then does it stand with the *wage labourers* (the productive labourers, who are employed by the industrial capitalists)?

"These have no other treasure but their everyday labour. This labour obtains wages for them.... But whence come these wages? It is clear that they come from the properties of those [IX-402] to whom the wage labourers *sell their labour*, that is to say, from the funds which are in their possession beforehand, and which are *nothing but the accumulated products of labours previously performed*. It follows from this that the consumption paid for by this wealth is the consumption of the wage labourers, in the sense that it is they whom it maintains, but at bottom it is *not they who pay it*, or at least they only pay for it *with funds existing beforehand in the hands of those who employ them*. Their consumption should therefore be regarded as having been made by those who hire them. They only receive with one hand and return with the other.... It is therefore necessary to regard not only all that they" (the wage labourers) "spend but even all that they receive as the real expenditure and *consumption of those who buy their* labour. That is so true that in order to see whether this consumption is more or less destructive of wealth that has been acquired, or even if it tends to increase it ... it is necessary to know *what use the capitalists make of the labour that they buy*" (pp. 234-35).

VERY WELL. And whence come the profits of the entrepreneurs which enable them to pay revenue to themselves and to the idle capitalists, etc.?

"I will be asked how these industrial entrepreneurs can make such large profits, and whence they can draw them? I reply that *it is through their selling everything that they produce at a higher price than it has cost them to produce*" (p. 239).

And to whom do they sell everything at a higher price than it costs them?

"They sell it,

"1) to themselves, for the whole part of their consumption destined for the satisfaction of their needs, which they pay for with a portion of their profits;

"2) to the wage labourers, both those whom they pay and those paid by the idle capitalists; in this way *they draw back from these labourers their total wages*, apart from any small economies which these may be able to make;

"3) to the idle capitalists, *who pay them with the part of their revenue* which they have not already given to the labourers directly employed by them, so that all the rent which they annually pay to the idle capitalists comes back to them in one or other of these ways" (l.c., [p.] 239).

Let us now have a look at these 3 categories of sales.

1) The industrial capitalists themselves consume *one part* of their product (or profit). They cannot possibly enrich themselves by swindling themselves and selling their products to themselves *at a dearer price* than they themselves have *paid* for them. Nor can any one of them swindle the others in this way. If A sells his product, which the industrial capitalist B consumes, at too dear a price, then B sells his product, which the industrial capitalist A consumes, at too dear a price. It is the same thing as if A and B had sold their products to each other at their real value. Category 1 shows us how the capitalists spend a part of their profit; it does not show us whence they draw the profit. In any case they make no profit by "*selling to one another* everything that they produce *at a higher price* than it has cost them to produce".

2) They can likewise draw no profit from the part of the product which they sell to their labourers *above the production costs.* It is presupposed that the whole consumption of the labourers is IN FACT "the consumption of those who buy their labour". Moreover Destutt rubs this in by remarking that the capitalists, by selling their products to the wage labourers (their own and those of the idle capitalists), only "draw back their total wages". And in fact not even the total, but after deducting their economies. It is all the same whether they sell the products to them cheap or dear, since they always only get back what they have given them, and, as said above, the wage labourers only "receive with one hand and return with the other". First the capitalist pays *money* to the

labourer as wages. Then he sells him his product "too dear", and by so doing draws the money back again. But as the labourer cannot pay back to the capitalist more money than he has received from him, so the capitalist can *never* sell his products to him *dearer* than he has *paid* him for his labour. He can always only get back from him as much money for the sale of his products as the money he has given him for his labour. Not a farthing more. How then can his money increase through this "circulation"?

[IX-403] In addition to this, there is another absurdity in Destutt. Capitalist C pays the labourer L a weekly wage of £1, and then draws back the £1 for himself again by selling him commodities for £1. By this means, Tracy thinks, he has drawn back to himself the total of the wages paid. But first he gives the labourer £1. And then he gives him commodities for £1. So what in fact he has given him is £2: £1 in commodities and £1 in money. Of this £2, he takes back £1 in the form of money. Therefore in fact he has not drawn back a FARTHING of the £1 wage. And if he intended to enrich himself by this kind of "drawing back" the wages (instead of by the labourer giving him back in labour what he advanced to him in commodities), he would soon come to his senses.

Here, therefore, the noble Destutt confuses the circulation of money with the real circulation of commodities. Because the capitalist, instead of giving the labourer directly commodities to the value of £1, gives him £1, with which the labourer then decides as he likes which commodities he wants to buy, and returns to the capitalist in the form of money the draft he had given him on his merchandise—after he, the labourer, has appropriated his aliquot share of the merchandise—Destutt imagines that the capitalist "draws back" the wages,[a] because the same piece of money flows back to him. And on the same page Mr. Destutt remarks that the phenomenon of circulation is "*mal connu*"[b] (p. 239). Totally unknown to himself, at any rate. If Destutt had not explained "the drawing back of the total wages"[a] in this peculiar way, the nonsense might at least have been conceivable in a way we shall mention now.

(But before that, a further illustration of his sapience. If I go into a shop and the shopkeeper gives me £1 and I then use this £1 to buy commodities to the value of £1 in his shop, he then draws back the £1 again. No one will assert that he has enriched

[a] See this volume, p. 170.—*Ed.*

[b] Little known.—*Ed.*

himself by this operation. Instead of £1 in money and £1 in commodities he now has only £1 in money left. Even if his commodity was only worth 10s. and he sold it to me for £1, in this case too he is 10s. poorer than he was before the sale, even though he has drawn back the whole of one pound sterling.)

If C, the capitalist, gives the labourer £1 wages, and afterwards sells him commodities to the value of 10s. for £1, he would certainly have made a profit of 10s. because he had sold the commodities to the labourer 10s. too dear. But from Mr. Destutt's point of view even so it could not be understood how any profit from this transaction arises for C. (The profit arises from the fact that he has paid him less wages—in fact has given the labourer a smaller aliquot part of the product in exchange for his labour—than he gives him *nominally*.) If he gave the labourer 10s. and sold his commodity for 10s., he would be just as rich as if he gives him £1 and sells him his 10s. commodity for £1. Moreover, Destutt bases his argument on the assumption of necessary wages. In the best case any profit here would only be explained by the labourer having been cheated over his wages.

This CASE 2 therefore shows that Destutt has absolutely forgotten what a productive labourer is, and has not the slightest idea of the source of profit. At most it could be said that the capitalist makes a profit by raising the price of the products above their value, in so far as he sells them not to his own wage labourers but to the wage labourers of idle capitalists. But since the consumption of unproductive labourers is in fact only a part of the consumption of idle capitalists, we come now to case 3.

3) The industrial capitalist sells his products "too dear", above their value, to the

> "idle capitalists, who pay him with the part of their revenue which they have not already given to the labourers directly employed by them, so that all the rent which they annually pay to the idle capitalists comes back to them" (the industrial capitalists) "in one or other of these ways".

Here again there is the childish conception of the rent, etc., coming back, as there was above of the drawing back of the total wages. For example, C pays £100 rent of land or interest on money to I (the idle capitalist). The £100 are means of payment for C. They are means of purchase for I, who with them draws £100 of commodities from C's warehouse. Thus the £100 return to C as the transformed form of his commodity. But he has £100 less in commodities than before. Instead of giving them direct to I, he has given him £100 in money, with which the latter buys £100 of his commodities. But he buys these £100 worth of commodities with C's money, not with his own funds. And Tracy imagines that in this way the rent which C has paid over to I comes back to C. What imbecility! First absurdity.

Secondly, Destutt himself has told us that rent of land and interest on money are only deductions from the industrial capitalist's profit, and therefore only quotas of profit given away to the idler. On the assumption that C drew back this whole quota [IX-404] to himself by some sort of trick, though not in one or other of the ways DESCRIBED BY TRACY—in other words, that capitalist C paid no rent at all, neither to the LANDLORD nor to the MONIED capitalist—he would retain his *whole* profit, but the question is precisely how to explain *whence* he derived the profit, how he has made it, how it arose. As this cannot be explained by his *having* or *retaining* it without giving a quota of it to LANDLORD and MONIED capitalist, just as little can it be explained by the fact that the quota of profit which he has given away to the idler under one category or another is entirely or partially, in one way or another, dragged back by him from the hand of the idler into his own hand again. Second absurdity![a]

Let us disregard these absurdities. C has to pay I—the idler—rent to the amount of £100 for the land or the capital that he has rented (*loué*) from him. He pays the £100 out of profit (whence the latter arises we do not yet know). Then he sells his products to I, which are consumed either by I directly or through his RETAINERS (the unproductive wage labourers), and he sells them to him *too dear*, for example, 25% above their value. He sells him products worth £80 for £100. In this transaction C undoubtedly makes a profit of £20. He has given I a draft for £100 worth of commodities. When the latter presents the draft, he gives his commodities only to the value of £80, by fixing the nominal price of his goods 25% above their value. Even if I would be satisfied with consuming commodities worth £80 and paying £100 for them, C's profit could never rise above 25%. The prices and the fraud would be repeated every year. But I wants to consume to the value of £100. If he is a landlord, *que faire*[b]? He mortgages property to C for £25, in exchange for which C gives him

[a] In the manuscript Marx crossed out the following text here: "'Whence come their revenues to these idle men? Put these two absurdities aside. Is it not from the rent which those who set their capitals to work pay to them *out of their profits*?' (p. 246). Mr. Destutt, therefore, explains the origin of these profits from which rent is paid not by the fact that with this rent products are again bought by the industrialist." The quotation is reproduced on p. 176 of this volume.—*Ed.*

[b] What is he to do?—*Ed.*

commodities worth £20—for he sells his commodities at 25% (1/4) above their value. If he is a money-lender, he hands over to C £25 of his capital, in exchange for which C gives him commodities worth £20.

Let us assume that the capital (or value of the land) was lent at 5%. Then it amounted to £2,000. Now it amounts to only £1,975. His rents are now £98 3/4. And so it would go on, with I constantly consuming commodities to the real value of £100, but his rents constantly falling, because in order to have commodities to the value of £100 he must always consume an ever greater part of his capital itself. Thus bit by bit C would get the whole of I's capital into his own hands, and the rents of it together with the capital—that is to say, along with the capital itself he would appropriate that portion of the profit which he makes from borrowed capital. Mr. Destutt evidently has this process in view, for he continues:

"But I will be told, if that is so and if industrial entrepreneurs in effect *reap each year more than they have sown*, in a very short time they must have attracted to themselves *the whole public fortune*, and soon there would be nothing left in a State but wage labourers without funds, and capitalist entrepreneurs. *That is true*, and things would in fact be so if the entrepreneurs or their heirs did not take the course of resting as they grow wealthy, and did not thus continually go to recruit the class of idle capitalists; and even in spite of this frequent emigration, it still happens that when industry has been at work in a country for some time without too great disturbances, its capitals are always being augmented not only because of the growth of the total wealth, but also in a much greater proportion.... It might be added this effect would be felt even more strongly but for the immense levies that all governments impose each year on the industrious class by means of taxes" (pp. 240-41).

And Mr. Destutt is quite right up TO A CERTAIN POINT, although not at all in what he wants to explain. In the period of the declining Middle Ages and rising capitalist production the rapid enrichment of the industrial capitalists is in part to be explained by the direct fleecing of the LANDLORDS. With the fall in the value of money resulting from the discoveries in America, the farmers paid the landlords the old rent in nominal, not in real terms, while the MANUFACTURERS sold them commodities above their value—not just at the higher value of the money. Similarly in all countries, as for example the Asiatic, where the principal revenue of the country is in the hands of LANDLORDS, princes, etc., in the form of rent, the MANUFACTURERS, *few in number* and therefore not restricted by competition, sell them their commodities at monopoly prices, and in this way appropriate a part of their revenue; they enrich themselves [IX-405] not only by selling to them "unpaid" labour, but by selling the commodities at over the quantity of labour contained in them. Only Mr. Destutt is again wrong if he believes that money-lenders let themselves be fleeced in this way. On the contrary, they SHARE, through the high interest they draw, in those high profits, in that fleecing, directly and indirectly.

The following passage shows that this phenomenon was in Mr. Destutt's mind:

"One has only to see how weak they" (the industrial capitalists) "were throughout all Europe three or four centuries ago, in comparison with the immense wealth of all the powerful men of those days, and how today they have increased and grown in number, while the others have diminished" (l.c., p. 241).

What Mr. Destutt wanted to explain to us was the *profits* and the *high profits* of industrial capital. He has explained it in two ways. First, because the *money* which these capitalists pay out in the form of wages and rents flows back to them again, since these wages and rents buy products from them. In fact, what this explains is only why they do not pay wages and rents *twice*, first in the form of money, and secondly in the form of commodities to the same amount in money. The second explanation is that they sell their commodities above their price, they sell them *too dear*, first *to themselves*, thus cheating themselves; secondly to the labourers, thus again cheating themselves, as Mr. Destutt tells us that

the consumption of the wage labourers "should be regarded as having been made by those who hire them" (p. 235);

finally, in the third place, to the *gentlemen living on rents*, whom they fleece, and this would in fact explain why the industrial capitalists always keep for themselves a larger part of their profit, instead of giving it away to the idlers. It would show why the *distribution of the total profit* between the industrial and non-industrial capitalists is increasingly to the advantage of the former at the cost of the latter. It would not help one iota to an understanding of *whence* this *total profit* comes. Let us assume that the industrial capitalists had got the whole of it for themselves, the question remains, where does it come from?

Therefore Destutt has not only given no answer, but he has only revealed that he thinks the reflux of the money is a reflux of the commodity itself. This *reflux of money* means only that the capitalists first pay wages and rents in money, instead of paying them in commodities; that their commodities are bought with this money and hence they have paid in commodities in this roundabout way. This money therefore constantly flows back to them, but only to the extent that commodities to the same money value are definitively taken from them and fall to the share of the consumption of the wage labourers and drawers of rent.

Mr. Destutt (in a really French way—similar exclamations of astonishment about himself are to be found in Proudhon) is altogether astonished at

> the "clarity" which this "way of looking at the consumption of our wealth ... *sheds on the whole progress of society. Whence comes this consistency and this* lucidity? From the fact that we have lighted upon the truth. This recalls the effect of those mirrors in which objects are outlined clearly and in their right proportions when one is in the right spot from which to view them, and in which everything appears confused and disjointed when one is too near or too far" (pp. 242-43).

Later, quite incidentally, Mr. Destutt recalls (from Adam Smith) the real course of things, which however in essence he only repeats as a phrase which he has not understood—as otherwise he (this Member of the Institute of France[66]) would have been unable to shed the streams of light referred to above.

> "Whence come their revenues to these idle men? Is it not from the rent which those who *set their capitals to work* pay to them out of their *profits,* that is to say, those who use their funds *to pay labour which produces more than it costs,* in a word, the men of industry?"

(Aha! So the rents (and also their own profits) which the industrial capitalists pay to the idle capitalists for the funds borrowed from the latter come from their using these funds to pay wages to labour "which *produces more than it costs*"; that is to say, therefore, whose product has more value than is paid to them [wage labourers]—in other words, profit comes from what the wage labourers produce over and above what they cost; a surplus product which the industrial capitalist appropriates for himself, and of which he gives away only one part to those receiving rent from land and interest on money.)

Mr. Destutt concludes from this: not that we must go back to these productive labourers, but that we must go back to the capitalists who set them in motion.

> "It is these who really maintain even the labourers employed by the others" (p. 246).

To be sure; inasmuch as they directly exploit labour, and the idle capitalists only do it THROUGH THEIR AGENCY. And in this sense it is correct [IX-406] to regard industrial capital as the source of wealth.

> "We must therefore always go back to these" (the industrial capitalists) "in order to find the source of all wealth" (p. 246).
>
> "In the course of time, *wealth has accumulated in greater or less quantity, because the result of previous labours has not been entirely consumed as soon as produced.* Some of the possessors of this wealth are content to draw a rent from it and consume it. These are those whom we have called idle. The other more active ones set to work both

their own funds and those which they borrow. They employ them *to pay labour which reproduces them with a profit.*"

//Hence, therefore, not only the reproduction of this fund, but [the production] of the SURPLUS, which forms *profit.* //

"With this profit they pay for their own consumption and defray that of others. By these consumptions themselves" (their own and that of the idlers? Here again the same absurdity) "their funds come back to them somewhat increased, and they start again. That is what constitutes circulation" (pp. 246-47).

The inquiry into the "productive labourer", and the result that only one whose buyer is an industrial capitalist is a productive labourer—one whose labour produces profit for its immediate buyer—led Mr. Destutt to the conclusion that in fact the *industrial capitalists* are *the sole productive labourers* in the higher meaning of the word.

"They who live on profits" (the industrial capitalists) "maintain all the others and alone augment the public fortune and create all our means of enjoyment. That must be so, *because labour is the source of all wealth* and because they alone give a *useful direction to current labour,* by making a *useful application of accumulated labour*" (p. 242).

That they give "a useful direction to current labour" in fact means only that they employ useful labour, labour which results in use values. But that they make "useful application of accumulated labour"—if it is not to mean the same thing again, that they make industrial use of accumulated wealth for the production of use values—means that they make "useful application of accumulated labour" by buying with it more current labour than is contained in it. In the passage just cited Destutt naïvely epitomises the contradictions which make up the essence of capitalist production. Because labour is the source of all wealth, capital is the source of all wealth; the actual propagator of wealth is not he who labours, but he who makes a profit out of another's labour. The productive powers of labour are the productive powers of capital.

"Our faculties are our only original wealth; our labour produces all other wealth, and all labour properly directed is productive" (p. 243).

Hence, according to Destutt, it follows as a matter of course that the industrial capitalists

"maintain all the others and alone augment the public fortune and create all our means of enjoyment".

Our faculties (*facultés*) are our only original wealth, therefore the labour capacity is not wealth. Labour produces all other wealth, that means: it produces wealth for all others except for itself, and it itself is not wealth, but only its product is wealth. All labour properly directed is productive; that means: all productive labour, all labour which yields profit to the capitalist, is properly directed.

The following remarks of Destutt—which refer not to the *different classes of consumers*, but to the *different nature of the articles of consumption*—are a very good paraphrase of Adam Smith's views in Book II, Ch. III, at the end of which he inquires into what kind of (unproductive) expenditure, that is to say, of individual consumption, consumption of revenue, is more or less advantageous. He opens this inquiry (Garnier, t. II, p. 345) [Vol. II, p. 122] with the words:

> "As frugality increases, and prodigality diminishes, the public capital, so the conduct of those whose expense just equals their revenue, without either accumulating or encroaching, neither increases nor diminishes it. Some modes of expense, however, seem to contribute more to the growth of public opulence than others."

Destutt summarises Smith's exposition as follows:

> "If consumption is very different according to the kind of consumer, it varies also according to the nature of the things consumed. All indeed represent labour, but its value is fixed more securely in some than in others. As much trouble may have been taken in making a firework as in finding and cutting a diamond, and consequently one may have as much value as the other. But when I have bought, paid for and used both, at the end of half an hour I shall have nothing left of the first, and the second can still be a resource for my grandchildren a century later.... It is the same with what [IX-407] are called" (that is, by Say) "immaterial products. *An invention is of eternal utility.* An intellectual work, a picture also have a utility that is more or less durable, while that of a ball, a concert, a play is instantaneous and disappears immediately. The same can be said of the *personal services* of doctors, lawyers, soldiers, domestic servants, and in general of all who are called *employed persons.* Their utility is that of the moment of need.... The most ruinous consumption is the quickest, because it is that which destroys more labour in the same time, or an equal quantity of labour in less time; in comparison with it, consumption which is slower is a kind of *treasuring up,* since it leaves to times to come the enjoyment of part of the present sacrifices ... everyone knows that it is more economical to get, *for the same price,* a coat that will last three years than a similar one which will only last three months" (pp. 243-44).

Most of the writers who contested Smith's view of productive and unproductive labour regard *consumption* as a necessary spur to production. *For this reason* they regard the *wage labourers* who live on revenue—the unproductive labourers whose hire does not produce wealth, but is itself a new consumption of wealth—as equally productive *even of material wealth* as the productive labourers, since they widen the FIELD OF MATERIAL CONSUMPTION and therewith the FIELD OF PRODUCTION. This was therefore for the most part apologetics from the standpoint of bourgeois economy, partly for the rich idlers and the "unproductive labourers" whose *services* they consume, partly for "strong governments" whose expenditure is heavy, for the increase of the State debts, for holders of church and State benefices, holders of sinecures, etc. For these "unproductive labourers"—whose services figure in the expenses of the idle rich—all have in common the fact that although they *produce "immaterial products"*, they consume "*material products*", that is, products of the productive labourers.

Other economists, like Malthus, admit the distinction between productive labourers and unproductive, but prove to the industrial capitalist that the latter are as necessary to him as the former, even for the production of material wealth.

To say that production and consumption are identical or that consumption is the purpose of all production or that production is the precondition of all consumption, is of no help in this connection. What—apart from the tendentious purpose—is at the bottom of the whole dispute is rather this:

The labourer's consumption on the average is only equal to his production costs, it is not equal to his output. He therefore produces the whole surplus for others, and so this whole part of his *production* is *production for others*. Moreover, the industrial capitalist who drives the labourer to this *overproduction* (i.e., production over and above his own subsistence needs) and makes use of all expedients to increase it to the greatest extent possible—to increase this relative *overproduction* as distinct from the necessary production—directly appropriates the surplus product for himself. But as personified capital he produces for the sake of production, he wants to accumulate wealth for the sake of the accumulation of wealth. In so far as he is a mere functionary of capital, that is, an agent of capitalist production, what matters to him is exchange value and the increase of exchange value, not use value and its increase. What he is concerned with is the increase of abstract wealth, the rising appropriation of the labour of others. He is dominated by the same absolute drive to enrich himself as the hoarder, except that he does not satisfy it in the illusory form of building up a treasure of gold and silver, but in the creation of capital, which is real production. If the labourer's overproduction is *production for others*, the production of the normal capitalist, of the industrial capitalist as he ought to be, is production for the sake of production. It is true that the more his wealth grows, the more he falls behind this ideal, and becomes extravagant, even if only to show off his wealth. But he is always enjoying wealth with a guilty conscience, with frugality and thrift at the back of his mind. In spite of all his prodigality he remains, like the hoarder, essentially avaricious.

When Sismondi says that the development of the productive powers of labour makes it possible for the labourer to obtain ever-increasing enjoyments, but that these very enjoyments, if put at his disposal, would make him unfit for labour (as a wage labourer) //Sismondi says:

> "Because of the progress made by industry and science, each labourer is able to produce each day much more than he needs to consume. But at the same time as his labour produces wealth, this wealth, if he was called upon to enjoy it, would make him little fitted for labour" (*Nouveaux principes...*, Vol. I, p. 85)//,

it is equally true that the industrial capitalist becomes more or less unable to fulfil his function as soon as he personifies the enjoyment of wealth, as soon as he wants the accumulation of pleasures instead of the pleasure of accumulation.

He is therefore also a producer of *overproduction, production for others.* Over against this overproduction on one side must be placed overconsumption on the other, production for the sake of production must be confronted by consumption for the sake of consumption. What the industrial capitalist has to surrender to landlords, the State, creditors of the State, the church, and so forth, who only consume revenue, [IX-408] is an absolute diminution of his wealth, but it keeps his lust for enrichment going and thus preserves his capitalist soul. If the landlords, money-lenders, etc., were to consume their revenue also in productive instead of unproductive labour, the purpose would not be achieved. They themselves would become industrial capitalists, instead of representing the function of consumption as such. With regard to this point we shall examine later an extremely comical dispute between a Ricardian and a Malthusian.[67]

Production and consumption are *in their nature* inseparable. From this it follows that since in the system of capitalist production they are in fact separated, their unity is restored through their opposition—that if A must produce for B, B must consume for A. Just as we find with every individual capitalist that *pour sa part*[a] he favours prodigality on the part of those who are CO-PARTNERS with him in his revenue, so the older Mercantile system as a whole depends on the idea that a nation must be frugal as regards itself, but must produce luxuries for foreign nations to enjoy. The idea here is always: on the one side, production for production, therefore on the other side consumption of foreign

[a] As to him.—*Ed.*

production. This idea of the Mercantile system is expressed for example by Dr. Paley, *Moral Philosophy*, Vol. II, Ch. XI:

"A laborious, frugal people, ministering to the demands of an opulent, luxurious nations."[68]

"They" (our politicians, Garnier, etc.), says Destutt, "put forward as a general principle that consumption is the cause of production, that therefore it is good for it to be very plentiful. They declare that it is this which constitutes a great difference between public economy and the economy of individuals" (l.c., pp. 249-50).

One more fine phrase:

"*The poor nations* are those where the people are comfortably off; and *the rich nations*, those where the people are generally poor" (l.c., p. 231).

Henri Storch, *Cours d'économie politique etc.*, edited by Jean Baptiste Say, Paris, 1823 (lectures read to Grand Duke Nicholas, concluded in 1815), *Vol. III*.

After Garnier, Storch is in fact the first writer to polemise against Adam Smith's distinction between productive and unproductive labour on a new basis.

He distinguishes the "*internal goods* or the elements of civilisation", with the laws of whose production the "theory of civilisation" has to concern itself, from material goods, component parts of material production (l.c., Vol. III, p. 217).

("It is evident that man only attains to the production of wealth in so far as he is endowed with internal goods, that is to say, in so far as he has developed his physical, intellectual and moral faculties, which implies the means for their development such as *social institutions*, etc. Thus the more civilised a people, the more its national wealth can grow." The reverse is also true (l.c., Vol. I, p. 136).

Against Smith:

"Smith ... excludes from *productive labours* all those which do not contribute *directly* to the production of wealth; but also he only considers the national *wealth*.... His error is not to have distinguished *non-material values from wealth*" (Vol. III, p. 218).[a]

And that is really all there is to it. The distinction between productive labours and unproductive labours is of decisive importance for what Smith was considering: the production of material wealth, and in fact one definite form of that production, the capitalist mode of production. In intellectual production another kind of labour appears as productive. But Smith does not take it into consideration. Finally, the interaction and the inner connection between the two kinds of production also do not fall within the field he is considering; moreover, they can only lead to something more than empty phrases when material production is examined *sub sua propria specie*.[b] In so far as he speaks of workers

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[a] Marx quotes Storch partly in French, partly in German.—*Ed.*

[b] In its own form.—*Ed.*

who are not directly productive, this is only to the extent that they participate *directly* in the consumption of material wealth but not in its production.

With Storch himself the *Théorie de la civilisation* does not get beyond trivial phrases, although some ingenious observations slip in here and there—for example, that the material division of labour is the precondition for the division of intellectual labour. How much that *must* be the case, how little he had even *formulated* for himself the task, let alone its solution, is apparent from one *single* circumstance. In order to examine the connection between intellectual [IX-409] production and material production it is above all necessary to grasp the latter itself not as a general category but in *definite historical* form. Thus for example different kinds of intellectual production correspond to the capitalist mode of production and to the mode of production of the Middle Ages. If material production itself is not conceived in its *specific historical* form, it is impossible to understand what is specific in the intellectual production corresponding to it and the reciprocal influence of one on the other. Otherwise one cannot get beyond inanities. This because of the talk about "civilisation".

Further: from the specific form of material production arises in the first place a specific structure of society, in the second place a specific relation of men to nature. Their State system and their intellectual outlook is determined by both. Therefore also the kind of their intellectual production.

Finally, under intellectual production Storch also includes all kinds of professional activities of the ruling class, who carry out social functions as business. The existence of these strata, like the function they perform, can only be understood from the specific historical structure of their production relations.

Because Storch does not conceive material production itself *historically*—because he conceives it as production of material goods in general, not as a definite historically developed and specific form of this production—he deprives himself of the basis on which alone can be understood partly the ideological component parts of the ruling class, partly the free intellectual production of this particular social formation. He cannot get beyond meaningless general phrases. Consequently, the relation is not so simple as he presupposes. For instance, capitalist production is hostile to certain branches of intellectual production, for example, art and poetry. If this is left out of account, it opens the way to the illusion of the French in the eighteenth century which has been so beautifully satirised by Lessing.[69] Because we are further ahead than the ancients in mechanics, etc., why shouldn't we be able to make an epic too? And the *Henriade*[70] in place of the *Iliad*!

Storch, however, rightly stresses—with special reference to Garnier, who was actually the father of *this* attack on Smith—that Smith's opponents had set about it the wrong way.

"What do Smith's critics do? Far from establishing this distinction" (between non-material values and wealth), "they succeed in confusing these two kinds of value that are so evidently different."

(They assert that the production of intellectual products or the production of services is *material* production.)

"In regarding non-material labour as *productive*, they assume it is *productive of wealth*" (that is, directly), "that is to say, of material and exchangeable values, while it produces only non-material and immediate values; they assume that the products of non-material labour are subject to the same laws as those of material labour: and yet the former are governed by other principles than the latter" (Vol. III, p. 218).[a]

The following passages from Storch are to be noted as having been copied from him by later authors:

"From the fact that internal goods are in part the product of services, the conclusion has been drawn that they are no more lasting than the services themselves, and that they were necessarily consumed as they were produced" (Vol. III, p. 234). "The original goods, far from being destroyed by the use made of them, expand and grow with use, so that even the *consumption* of them augments their value" (l.c., p. 236). "Internal goods are susceptible of being accumulated like wealth, and of forming capitals that can be used in reproduction", etc.[a] (l.c., p. 236). "Material labour must be divided up and its products must be accumulated before the dividing up of non-material labour can be thought of" (p. 241).

These are nothing but general superficial analogies and relations between intellectual and material wealth. So for example is his observation that undeveloped nations *borrow* their intellectual capitals from abroad, just as materially undeveloped nations borrow their material capitals (l.c., p. 306); and that the division of non-material labour depends on the demand for it, in a word, on the market, etc. (p. 246).

Here are the passages which have actually been copied:

[IX-410] "The *production* of internal goods, far from diminishing the national wealth by the consumption of material products it requires, is on the contrary a powerful means of increasing it; as the production of wealth, in its turn, is an equally powerful means of increasing civilisation" (l.c., p. 517). "It is the equilibrium of the two kinds of production that causes the advance of national prosperity" (l.c., p. 521).

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[a] Marx quotes Storch partly in German, partly in French.—*Ed.*

According to Storch, the physician produces health (but also illness), professors and writers produce *les lumières*[a] (but also obscurantism), poets, painters, etc., produce *goût*[b] (but also bad taste), moralists, etc., produce *moeurs*,[c] preachers religion, the sovereign's labour security, and so on (pp. 247-50). It can just as well be said that illness produces physicians, stupidity produces professors and writers, lack of taste poets and painters, immorality moralists, superstition preachers and general insecurity produces the sovereign. This way of saying in fact that all these activities, these SERVICES, produce a real or imaginary use value is repeated by later writers in order to prove that they are productive workers in Smith's sense, that is to say, that they directly produce not products *sui generis*[d] but products of material labour and consequently immediate wealth. In Storch there is not yet this nonsense, which for that matter can be reduced to the following[e]:

1) that the various functions in bourgeois society mutually presuppose each other;

2) that the contradictions in material production make necessary a superstructure of ideological strata, whose activity—whether good or bad—is good, because it is necessary;

3) that all functions are in the service of the capitalist, and work out to his "benefit";

4) that even the most sublime intellectual productions should merely be granted recognition, and *apologies* for them made to the bourgeoisie, that they are presented as, and falsely proved to be, direct producers of material wealth.

W. Nassau Senior, *Principes fondamentaux de l'économie politique*, translated by *Jean Arrivabene*, Paris, 1836.

Nassau Senior mounts his high horse:

"According to Smith, the lawgiver of the Hebrews was an unproductive labourer" (l.c., p. 198).[f]

Was it Moses of Egypt or Moses Mendelssohn? Moses would have been very grateful to Mr. Senior for calling him a "productive labourer" in the Smithian sense. These people are so dominated by their fixed bourgeois ideas that they would think they were insulting Aristotle or Julius Caesar if they called them

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[a] Enlightenment.—*Ed.*

[b] Good taste.—*Ed.*

[c] Morals.—*Ed.*

[d] Of their own kind.—*Ed.*

[e] The manuscript has "to two things".—*Ed.*

[f] Here and below Marx quotes Senior in French.—*Ed.*

"unproductive labourers". Aristotle and Caesar would have regarded even the title "labourers" as an insult.

"Does not the doctor who, by a prescription, heals a sick child and thus assures him many years of life, *produce* a durable result?" (l.c.)

Rubbish! If the child dies, the result is no less durable. And if the child is no better after treatment, the doctor's *SERVICE* has to be paid for just the same. According to Nassau doctors should only be paid in so far as they cure, and lawyers in so far as they win lawsuits, and soldiers in so far as they are victorious.

But now he gets really lofty:

"Did the Dutch produce temporary results by fighting against the tyranny of the Spaniards, or the English by revolting against a tyranny that threatened to be even more terrible?" (l.c., p. 198).

Belletristic trash! Dutch and English revolted at their own cost. No one paid them for labouring "in revolution". But with either productive or unproductive labourers there is always a buyer and seller of labour. Hence what rubbish!

These insipid literary flourishes used by these fellows when they polemise against Smith show only that they are representatives of the "educated capitalist", while Smith was the *interpreter* of the frankly brutal bourgeois parvenu. The educated bourgeois and his mouthpiece are both so stupid that they measure the effect of every activity by its [IX-411] effect on the purse. On the other hand, they are so educated that they *grant recognition* even to functions and activities that have nothing to do with the production of wealth; and indeed they grant them recognition because they too "indirectly" increase, etc., their wealth, in a word, fulfil a "useful" function for wealth.

Man himself is the basis of his material production, as of any other production that he carries on. All circumstances, therefore, which affect man, the *subject* of production, *plus ou moins*[a] modify all his functions and activities, and therefore too his functions and activities as the creator of material wealth, of commodities. In this respect it can in fact be shown that *all* human relations and functions, however and in whatever form they may appear, influence material production and have a more or less decisive influence on it.

"There are countries where it is quite impossible for people to work the land unless there are soldiers to protect them. Well, according to Smith's classification, the harvest is not produced by the joint labour of the man who guides the plough and of the man at his side with arms in hand; according to him, the ploughman

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[a] More or less.—*Ed.*

alone is a productive labourer, and the soldier's activity is unproductive" (l.c., p. 202).

First, that is not true. Smith would say that the soldier's protective care is productive of defence, but not of the corn. If order was restored in the country, the ploughman would produce the corn just as before, without being compelled to produce the maintenance, and therefore the life, of the SOLDIERS INTO THE BARGAIN. The SOLDIER belongs to the *faux frais de production*,[a] in the same way as a large part of the unproductive labourers who produce nothing themselves, either intellectual or material, but who are useful and necessary only because of the faulty social relations—they owe their existence to SOCIAL EVILS.[b]

However, Nassau might say: if a machine is invented that makes 19 out of 20 labourers superfluous, then these 19 too are *faux frais de production*. But the soldier can drop out although the *material conditions of production*, the conditions of agriculture as such, remain unchanged. The 19 labourers can only drop out if the labour of the 1 remaining LABOURER becomes 20 times more productive, that is to say, only through a revolution in the actual material conditions of production. Moreover, *Buchanan* already observes:

"If the soldier, for example, be termed a productive labourer because his labour is subservient to production, the productive labourer might, by the same rule, lay claim to military honours; as it is certain that without his assistance no army could ever take the field to fight battles or to gain victories" (D. Buchanan, *Observations on the Subjects Treated of in Dr. Smith's Inquiry etc.*, Edinburgh, 1814, p. 132).

"The wealth of a nation does not depend on a numerical proportion between those who produce *services* and those who produce *values*, but on the proportion between them that is most fitted to render the labour of each more efficacious" (Senior, l.c., p. 204).

Smith never denied this, as he wants to reduce the "necessary" unproductive labourers like State officials, LAWYERS, priests, etc., to the *extent* in which their services are indispensable. And this is in any case the "proportion" in which they make the labour of productive labourers most efficacious. As for the other "unproductive labourers", whose labours are only bought *voluntarily* by anyone in order to enjoy their *SERVICES*, that is, as an article of consumption of his own choice, different cases must be distinguished. If the number of these labourers living on revenue is large in proportion to the "productive" labourers, it is, *either*, because the amount of wealth is small in general or it is of a one-sided

[a] Overhead costs of production.—*Ed.*

[b] See this volume, p. 16.—*Ed.*

character—for example the medieval barons with their RETAINERS. Instead of consuming manufactured goods on any considerable scale, they and their RETAINERS consumed their agricultural products. When instead of these products they began to consume manufactured goods, the RETAINERS had to be set to labour. The number of those living on revenue was only large because a large part of the annual product was not *reproductively* consumed. Along with this, the total population was small. Or, the number of those living on revenue is large, because the productivity of the productive labourers is large, and therefore their SURPLUS PRODUCE WHICH THE RETAINERS FEED UPON. In this case the labour of the productive labourers is not productive because there are so many RETAINERS, but on the contrary—there are so many RETAINERS because the labour of the productive labourers is so productive.

Taking two countries with equal populations and an equal development of the productive powers of labour, it would always be true to say, with Adam Smith, that the wealth of the two countries must be measured according to the proportion of productive and of unproductive labourers. For that means only that in the country which has a relatively greater number of productive labourers, a relatively greater amount of the annual revenue is reproductively consumed, and consequently a greater mass of VALUES is produced annually.[a] Therefore Mr. Senior has only paraphrased a statement of [IX-412] Adam's, instead of counterposing it with A NOVELTY. Moreover, he himself here makes the distinction between the producers of SERVICES and the producers of values, and so it is the same with him as with most of those who polemise against the Smithian distinction—they accept and themselves use this distinction, at the same time as they reject it.

It is characteristic that all "unproductive" economists, who achieve nothing in their own speciality, [come out] against the distinction between productive labour and unproductive labour. However, in relation to the bourgeois, it is on the one hand an expression of their servility that they present all functions as serving the production of wealth for him; then on the other hand, they present the bourgeois world as the best of all possible worlds, in which everything is useful, and the bourgeois himself is so educated that he understands this.

In relation to the labourers, it is quite all right that the unproductive ones consume the great mass [of products], since they contribute just as much as the labourers to the production of wealth even though IN THEIR OWN WAY.

[a] Cf. this volume, p. 127.—*Ed.*

Finally however Nassau blurts out, showing that he has not understood one word of the essential distinction made by Smith:

"It seems, in truth, that in this case Smith's attention was entirely absorbed by the position of the *big owners*, the only ones to whom his observations on the unproductive classes can in general be applied. I do not know how otherwise to account for his supposition that *capital is only employed to maintain productive labourers, while unproductive labourers live from revenue.* The greater number of those whom he calls preeminently unproductive—teachers, and those who govern the State—are maintained *at the expense of capital*, that is to say, *by means of what is spent in advance for reproduction*" (l.c., pp. 204-05).

This, IN FACT, is past all understanding. Mr. Nassau's discovery that State and schoolmasters live at the cost of capital and not at the cost of revenue needs no further commentary. Does Mr. Senior mean by it that they live on profit from capital, and in this sense at the expense of capital? If so, he only forgets that revenue from capital is not capital itself, and that this revenue, the result of capitalist production, is not spent in advance for reproduction, of which on the contrary it is the result.[a] Or does he mean that it is so because certain taxes enter into the production costs of particular commodities? That is, enter into the expenses of certain branches of production? Then he should know that this is only a form of levying taxes on revenue.

With reference to Storch Nassau Senior, the sophist, also remarks:

"Mr. Storch is doubtless in error when he expressly asserts that these *results*" (health, good taste, etc.) "like other things which have value, form part of the *revenue* of those who possess them, and that they are also exchangeable" (that is, in so far as they can be sold by their producers). "If this was so, if good taste, morality, religion, were really *things* which could be *bought*, wealth would have an importance very different from that ... given to it by the economists. What we buy is not health, knowledge or piety. The doctor, the priest, the teacher ... can only produce the instruments by means of which with greater or less certainty and perfection, these ulterior results will be produced.... If in each particular case the most suitable means to obtain success have been employed, the producer of these *means* has a right to a reward, even when he has not succeeded or when he has not produced the results expected. The exchange is completed as soon as the advice or the lesson has been given and the payment for it has been received" (l.c., pp. 288-89).

Finally, the great Nassau himself adopts the Smithian distinction. For in fact he distinguishes between "productive consumption and unproductive consumption" (p. 206) instead of between productive and unproductive labour. But the object of consumption is either a commodity—which is not referred to here—or direct labour.

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[a] Marx comments Senior partly in French.—*Ed.*

Consumption would be productive if it employed labour that either reproduced labour capacity itself (which for example the schoolmaster's or the physician's labour might do) or *reproduced* the value of the commodities with which it was bought. The consumption of labour which accomplished neither the one nor the other of these would be unproductive. And indeed Smith says: the labour which can only be consumed productively (i.e., industrially) I call productive labour, and that which can be consumed unproductively, whose consumption is by its nature not industrial consumption, I call unproductive labour. Mr. Senior has therefore proved his genius by *nova vocabula rerum.*[a]

In general, Nassau copies from Storch.

[IX-413] P. Rossi, *Cours d'économie politique (année 1836-1837),* published in Brussels, 1843.

Here is wisdom!

"*The indirect means*" (of production) "include everything that furthers production, everything which tends to remove an obstacle, to make production more active, more speedy, easier."[b] (Earlier, p. 268, he says: "There are direct and indirect means of production. That is to say, there are means which are a cause *sine qua non* of the effect in question, forces which *make* this production. There are others which contribute to production, but do not make it. The former can act even *by themselves*, the latter can only help the former to produce", p. 268.) "...The whole labour of government is an indirect means of production.... The man who has made this hat must surely recognise that the gendarme who goes by in the street, the judge who sits in his court, the gaoler who takes over a criminal and keeps him in prison, the army which defends the frontier against enemy invasions, contribute to production" (p. 272).

What a pleasure it must be for the hatter, that everyone gets moving so that he can produce and sell this hat[c]! Inasmuch as he makes these gaolers, etc., contribute *indirectly*, not *directly*, to material production, Rossi IN FACT makes the same DISTINCTION as Adam (lecture XII).

In the following lecture XIII, Rossi takes the field *ex professo*[d] against Smith—indeed rather [like] his predecessors.

The erroneous distinction between productive labourers and unproductive labourers, he says, arises for 3 reasons.

1) "Among the *buyers*, some buy products or *labour for their own direct consumption*; others only buy them in order to sell the new products that they obtain by means of the products and the labour that they have acquired. The

[a] Giving things new names.—*Ed.*

[b] Marx quotes Rossi in French with some alterations.—*Ed.*

[c] Here and below, in his comments on Rossi, Marx uses French words and phrases.—*Ed.*

[d] Avowedly.—*Ed.*

determining factor for the former is the *use value*; for the latter, the exchange value." But in paying attention only to exchange value, one falls into Smith's error. "My servant's labour is unproductive for me: let us admit that for a moment; is it unproductive for him?" (l.c., p[p. 275,] 276).[a]

As all capitalist production rests on the direct purchase of labour in order to appropriate a part of it *without purchase* in the process of production; which part however is *sold* in the product—since this is the basis of existence of capital, its concept—is not the distinction between labour which produces capital and that which does not produce it the basis for an understanding of the process of capitalist production? Smith does not deny that the servant's labour is productive for *him*. Every service is productive for its seller. To swear false oaths is productive for the person who does it for cash. Forging documents is productive for anyone paid to do it. A murder is productive for a man who gets paid for doing it. The trade of sycophant, informer, toady, parasite, lickspittle, is productive for people who do not perform these "SERVICES" gratis. Hence [according to Rossi] they are "productive labourers", producers not only of wealth but of capital. The thief, too, who pays himself—just as the law-courts and the State do—

"employs his energy, uses it in a particular way, produces a result which satisfies a human need" [p. 275],

i.e., the need of the thief and perhaps also that of his wife and children. Consequently [he is a] productive labourer if it is merely a question of producing a "result" which satisfies a "need", or as in the cases mentioned above, if selling his "SERVICES" is enough to make them "productive".

2) "A second error has been not to distinguish between direct production and indirect production. That is why Adam Smith thinks that a magistrate is not productive.[71] But if production is almost impossible" (without the magistrate's labour) "is it not clear that this labour contributes to it, if not by direct and material co-operation, at least by an indirect action which cannot be left out of account?" (l.c., p. 276).

It is precisely this labour which participates indirectly in production (and it forms only a part of unproductive labour) that we call unproductive labour. Otherwise we would have to say that since the magistrate is absolutely unable to live without the peasant, therefore the peasant is an indirect producer of justice! And so on. Utter nonsense! There is yet another point of view bearing on the division of labour, with which we shall deal later.

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[a] Marx quotes Rossi partly in French, partly in German.—*Ed.*

"The three principal facts of the phenomenon of production have not been carefully distinguished: *the force or productive means, the application* of this force, the *result.*"

We buy a clock at a clockmaker's; we are only interested in the *result* of the labour. The same applies when we buy a coat at the tailor's. But:

"There are still people, men of the old school, who do not understand things in this way. They make a workman come to their home and get him to make such-and-such a piece of clothing, giving him the material and everything he needs for this labour. What is it that these people buy? They buy a force" //but also an application of this force//, "a means to produce results of some kind at their peril and risk.... The object of the contract is the purchase of a force."

(The point here is only that these "men of the old school" make use of a mode of production that has nothing in common with the capitalist mode, and in which all development of labour's productive powers, such as capitalist production brings with it, is impossible. It is characteristic that for Rossi *e tutti quanti*[a] such a specific distinction is inessential.)

"In the case of a servant, I buy a force capable of doing a hundred different things. The results it produces depend on the use that I make of the force" (p. 276).[b]

All this has nothing to do with the matter.

[IX-414] 3) "One buys or hires ... a definite application of a force.... You do not buy a product, you do not buy the result that you have in view. Will the lawyer's pleading win your case? Who knows? What is certain, what passes between you and your lawyer, is that, for a certain value, he will go on a certain day to a certain place to speak on your behalf, to apply his intellectual powers in your interests" (p. 276).[b]

//One further point on this. In lecture XII, p. 273, Rossi says:

"I am far from seeing producers only in those who pass their lives in making cotton cloth or shoes. I honour labour, whatever it may be ... but this respect should not be the exclusive privilege of the *manual labourer.*"

Adam Smith does not do this. For him, a person who produces a book, a painting, a musical composition or a statue, is a "productive labourer" in the second sense, although the person who improvises, recites, plays a musical instrument, etc. is not. And Adam Smith treats SERVICES, in so far as they directly enter into production, as materialised in the product, both the labour of the MANUAL LABOURER and that of the MANAGER, clerk, engineer, and even of the scientist in so far as he is an inventor, an INDOOR OR

[a] And all the rest.—*Ed.*

[b] Marx quotes Rossi partly in French, partly in German, with some alterations.—*Ed.*

OUTDOOR LABOURER for the workshop. In dealing with the division of labour, Smith explains how these operations are distributed among different persons; and that the product, the commodity, is the result of their co-operative labour, not of the labour of any individual among them. But the "intellectual" labourers *à la* Rossi are anxious to justify the large SHARE which they draw out of material production.//

After this discourse, Rossi continues:

> "Thus in exchange transactions attention is fixed on one or other of the three principal facts of production. But can *these different forms of exchange* deprive certain *products* of the character of *wealth* and deprive the *exertions of a class of producers of the quality of being productive labours*? Clearly, there is no link between these ideas such as would justify a deduction of this kind. Because instead of buying the result, I buy the force necessary to produce it, why *should the action of the force not be productive* and *the product not be wealth*? Take again the example of the tailor. Whether one buys ready-made clothes from a tailor, or whether one gets them from a jobbing tailor who has been given the material and a wage, as far as the results are concerned the two actions are perfectly similar. No one will say that the former is a *productive labour* and the latter an *unproductive labour*; only in the second case the man *who wants a coat* has been his *own entrepreneur*. Well, from the standpoint of productive forces what difference is there between the jobbing tailor you have brought to your home and your domestic servant? None" (l.c., p. 277).

Here we have the quintessence of the whole superwise and would-be profound windbag! When Adam Smith, in his second and more superficial presentation, distinguishes between productive and unproductive labour, according to whether it is or is not directly realised in a vendible commodity for the buyer, he calls the tailor productive in both cases. But according to his more profound definition the latter is an "unproductive labourer". Rossi only shows that he "evidently" does not understand Adam Smith.

That the "*forms of exchange*" seem to Rossi to be a matter of complete indifference is just as if a physiologist were to say that particular forms of life are a matter of indifference, they are all only forms of organic matter. It is precisely these forms that are alone of importance when the question is the specific character of a social mode of production. A coat is a coat. But have it made in the first form of exchange, and you have capitalist production and modern bourgeois society; in the second, and you have a form of handicraft which is compatible even with Asiatic relations or those of the Middle Ages, etc. And these *forms* are decisive for material wealth itself.

A coat is a coat—that is Rossi's wisdom. But in the first case the jobbing tailor produces not only a coat, he produces capital; therefore also profit; he produces his master as a capitalist and himself as a wage labourer. When I have a coat made for me at home by a jobbing tailor, for me to wear, that no more makes me my own *entrepreneur* (in the sense of an economic category) than it makes the *entrepreneur tailor* an entrepreneur when [IX-415] he himself wears and consumes a coat made by his workmen. In one case the purchaser of tailoring labour and the jobbing tailor confront each other as mere buyers and sellers. One pays money and the other supplies the commodity into whose use value my money is transformed. In this transaction there is no difference at all from my buying the coat in a shop. Buyer and seller confront each other simply as such. In the other case, on the contrary, they confront each other as capital and wage labour. As for the domestic servant, he has the same determinate form as the jobbing tailor No. II, whom I buy for the sake of the use value of his labour. Both are simply buyers and sellers. But the way in which the use value is enjoyed in this case in addition brings in a patriarchal form of relation, a relation of master and servant, which modifies the relation [between buying and selling] in its content, though not in its economic form, and makes it distasteful.

For that matter Rossi only repeats in other phrases what Garnier said:

> "When Smith wrote that nothing remained of the servant's labour, he was mistaken to a greater extent, we must say, than an Adam Smith should be mistaken. A manufacturer manages himself a large manufactory which requires very active and very assiduous supervision.... This man, not wanting to have unproductive labourers around him, has no servants. He is then compelled to *serve himself*.... What becomes of his productive labour during the time that he has to devote to this so-called unproductive labour? Is it not evident that your serving people perform a labour which enables you to apply yourself to a labour more appropriate to your abilities? Then how can it be said that no trace remains of their services? There remains everything that you do and that you could not have done if they had not replaced you in the service of your person and your home" (l.c., p. 277).

This is once more the *labour-saving* idea of Garnier, Lauderdale and Ganilh.[a] According to this, unproductive labours would only be productive in so far as they save labour and leave more time for a person's own labour, whether he is an industrial capitalist or an unproductive labourer, who can perform a more valuable labour through this replacement by a less valuable labour. A large part of the unproductive labourers who would be excluded by this are MENIAL SERVANTS (in so far as they represent only luxuries), and all unproductive labourers who produce merely enjoyment and whose labour I can only enjoy in so far as I *use just as much*

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[a] See this volume, pp. 80, 164.—*Ed.*

time to enjoy it as its *seller uses to produce it*, to provide it for me. In both cases there can be no talk of "saving" labour. Finally, even really labour-saving personal services would only be productive in so far as their consumer is a producer. If he is an idle capitalist, they only save him the labour of doing anything at all: like a slut having her hair curled or her nails cut instead of doing it herself, or a FOXHUNTER employing a stable-lad instead of being his own stable-lad, or someone who is just a glutton keeping a cook instead of cooking for himself.

Then these labourers would include too those who, according to Storch (l.c. [p. 250]), produce "*leisure*", through which a man gets free time for pleasure, intellectual labour, etc. The policeman saves me the time of being my own gendarme, the soldier of defending myself, the government official of governing myself, the shoe cleaner of cleaning my shoes myself, the priest the time required for thinking, and so on.

What is correct in this matter is—*the division of labour*. Everyone, apart from his productive labour or the exploitation of productive labour, would have a number of functions to fulfil which would not be productive and would in part enter into the costs of consumption. (The real productive labourers have to bear these consumption costs themselves and to perform their unproductive labour themselves.) If these "SERVICES" are pleasant, then sometimes the master performs them for the servant, as the *jus primae noctis*[a] shows, or as is shown by the labour of ruling, etc., which the masters have always taken on themselves. This in no way obliterates the distinction between productive and unproductive labour, but this distinction itself appears as a result of the *division of labour* and thus furthers the general productivity of the labourers by making unproductive labour the *exclusive* function of one section of labourers and productive labour the exclusive function of another section.

But even the *labour* of a number of MENIAL SERVANTS for mere show, to satisfy vanity, "is not unproductive". Why? Because it produces *something*, the satisfaction of vanity, OSTENTATION, the exhibition of wealth (l.c., p. 277). Here once again we meet the nonsense that every kind of SERVICE produces something—the courtesan sensual pleasure, the murderer homicide, etc.[b] Moreover Smith said that every form of this trash has its *value*. All that is missing [IX-416] is that these SERVICES are rendered gratis. That is

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[a] The right of the first night.—*Ed.*

[b] See this volume, p. 190.—*Ed.*

not the point in question. But even if they are rendered gratis, they will not increase (material) wealth by a single farthing.

Then the belletristic piffle:

"The singer (they claim), when he has finished singing, leaves us *nothing*.—He leaves us a memory!" (Very fine!) "When you have drunk champagne, what remains?... Whether the consumption does or does not follow closely on the act of production, whether it takes place more or less rapidly, will bring about different economic results, but the fact of consumption, of whatever kind it may be, cannot deprive the product of its character as wealth. There are non-material products which are of greater durability than certain material products. A palace lasts a long time, but the *Iliad* is a source of even more durable pleasures" (pp. 277-78).

What bosh!

In the sense in which he is here speaking of wealth, as use value, it is precisely *consumption*, whether slow or rapid (its length depends on its own nature and on the nature of the object), and only consumption, that makes the product wealth at all. Use value has only value for use, and its existence for use is only its existence as an object for consumption, its existence in consumption. Drinking champagne, although this may produce a "hangover", is as little productive consumption as listening to music, although this may leave behind "a memory". If the music is good and if the listener understands music, the consumption of music is more sublime than the consumption of champagne, although the production of the latter is a "productive labour" and the production of the former is not.

If we consider all the twaddle against Smith's distinction between productive and unproductive labour, we find that Garnier, and perhaps also Lauderdale and Ganilh (though the latter said nothing new), exhausted [these polemics]. Those who came later (apart from Storch's unsuccessful effort) [produced] merely pretentious literary arguments, learned prattle. Garnier is the economist of the Directory and the Consulate, Ferrier and Ganilh are the economists of the Empire. On the other hand Lauderdale, the Earl, was far more concerned *to make apologies for consumers by presenting them as the producers of "unproductive labour"*. *The glorification* of servility and flunkeyism, of TAX GATHERERS and parasites, runs through the lot of them. Compared with these, the rough cynical character of classical political economy stands out as a critique of existing conditions.

One of the most fanatic Malthusians is the *REVEREND Thomas Chalmers*, who thinks that the only means for curing all social ills is the religious education of the labouring class (by which he means ramming down their throats the Malthusian population theory with edifying Christian priestly trimmings); at the same time he is a great defender of all ABUSES, OF WASTEFUL EXPENDITURE by the State, of fat livings for the clergy and of wild extravagance on the part of the rich. He laments (p. 260 sqq.) the spirit of the time, the "HARD AND HUNGER-BITTEN ECONOMY"; and he wants heavy TAXES, a good deal to eat for the "higher" and unproductive workers, clergymen and so on (l.c.). Naturally, he blusters about the Smithian distinction. He devoted a whole chapter to it (Ch. XI) which contains nothing new except that parsimony, etc., only harms "the productive labourers", but whose tendency is exemplified in the following summing up:

This *"distinction seems to be nugatory, and withal, mischievous in application"* (l.c., p. 344).

And in what does this MISCHIEF consist?

*"We have entered at so much length into this argument, because we think *the political economy of our days* bears *a hard and hostile aspect towards an ecclesiastical establishment*; and we have no doubt, that to this, *the hurtful distinction*[a] *of Smith* has largely contributed"* (Thomas Chalmers, Professor of Divinity, *On Political Economy, in Connexion with the Moral State and Moral Prospects of Society,* 2nd ed., London, 1832, p. 346).

By the "ECCLESIASTICAL ESTABLISHMENT" the cleric means his own church, the CHURCH OF England AS BY LAW "ESTABLISHED". Moreover he was one of the fellows who HAD FOSTERED this "ESTABLISHMENT" UPON IRELAND. The parson is at least plain spoken.

[IX-417] Before we finish with Adam Smith, we will cite two further passages, the first, in which he gives vent to his hatred of the unproductive GOVERNMENT; the second, in which he aims to explain why the advance of industry, etc., presupposes free labour. Concerning *Smith's hatred of the clergy.*[72]

The first passage runs:

"It is the highest impertinence and presumption, therefore, in kings and ministers, to pretend to watch over the economy of private people, and to restrain their expense, either by sumptuary laws, or by prohibiting the importation of foreign luxuries. They are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expense, and they may safely trust private people with theirs. If their own extravagance does not ruin the State, that of their subjects never will" (ed. McCulloch, B. II, Ch. III, p. 122).

And once more the following passage[b]:

*"The labour of some of the most respectable orders of society is, like that of *menial servants,* unproductive *of any value,*"* //it has VALUE, and therefore costs an equivalent, but it produces no VALUE// *"and does not fix or realise itself in any

[a] Chalmers has "definition".—*Ed.*

[b] See this volume, pp. 16, 17, 163.—*Ed.*

permanent subject, or vendible commodity.... The sovereign, for example, with all the officers both of justice and war who are under him, the whole army and navy, are *unproductive labourers*. They are the *servants* of the public, and are maintained by a part of the annual produce of the *industry of other people*.... In the *same class* must be ranked ... churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, etc." * (l.c., pp. 94, 95).

This 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, officer, priest, etc.,—with all the old ideological castes 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 are mere SERVANTS of the public, just as the others are their SERVANTS. They live on the PRODUCE OF *OTHER* PEOPLE'S *INDUSTRY*, therefore they must be reduced to the smallest possible number. State, church, etc., are only justified in so far as they are committees to superintend or administer the common interests of the productive bourgeoisie; and their costs—since by their nature these costs belong to the *faux frais de production*—must be reduced to the indispensable minimum. This view is of historical interest in sharp contrast partly to the standpoint of antiquity, when material productive labour bore the stigma of slavery and was regarded merely as a pedestal for the idle citizen, and partly to the standpoint of the absolute or aristocratic-constitutional monarchy which arose from the disintegration of the Middle Ages—as Montesquieu, still captive to these ideas, so naïvely expressed them in the following passage (*Esprit des lois*, B. VII, Ch. IV [p. 171]):

"If the rich do not spend much, the poor will perish of hunger." [a]

When on the other hand the bourgeoisie has won the battle, and has partly itself taken over the State, partly made a compromise with its former possessors, and has likewise given recognition to the ideological castes as flesh of its flesh and everywhere transformed them into its functionaries, of like nature to itself; when it itself no longer confronts these as the representative of productive labour, but when the real productive labourers rise against it and moreover tell it that it lives on OTHER PEOPLE'S INDUSTRY; when it is enlightened enough not to be entirely absorbed in production, but to want also to consume "in an enlightened way"; when the intellectual labours themselves are more and more

[a] Marx quotes in French.—*Ed.*

performed in its *service* and enter into the service of capitalist production—then things take a new turn, and the bourgeoisie tries to justify "economically", from its own standpoint, what at an earlier stage it had criticised and fought against. Its spokesmen and conscience-salvers in this LINE are the Garniers, etc. In addition to this, these economists, who themselves are priests, professors, etc., are eager to prove their "productive" usefulness, to justify their wages "economically".

[IX-418] The second passage, referring to slavery, runs (ed. Garnier, l. IV, ch. IX, pp. 549, 550 [551]) [Vol. III, pp. 154-56][14]:

"Such occupations" (as artificer and manufacturer) "were considered" (in several of the ancient states) "as fit only for slaves, and the free citizens of the State were prohibited from exercising them. Even in those States where no such prohibition took place, as in Athens and Rome, the great body of the people were in effect excluded from all the trades which are now commonly exercised by the lower sort of the inhabitants of towns. Such trades were, at Rome and Athens, all occupied by the slaves of the rich, who exercised them for the benefit of their masters, whose wealth, power, and protection, made it almost impossible for a poor freeman to find a market for his work, when it came into competition with that of the slaves of the rich. Slaves, however, are very seldom inventive; and all the most important improvements, either in machinery, or in the arrangement and distribution of work, which facilitate and abridge labour have been the discoveries of freemen. Should a slave propose any improvement of this kind, his master would be very apt to consider the proposal as the suggestion of laziness, and of a desire to save his own labour at the master's expense. The poor slave, instead of reward would probably meet with much abuse, perhaps with some punishment. In the manufactures carried on by slaves, therefore, more labour must generally have been employed to execute the same quantity of work, than in those carried on by freemen. The work of the former must, upon that account, generally have been dearer than that of the latter. The Hungarian mines, it is remarked by Mr. Montesquieu, though not richer, have always been wrought with less expense, and therefore with more profit, than the Turkish mines in their neighbourhood. The Turkish mines are wrought by slaves; and the *arms of those slaves are the only machines which the Turks* have ever thought of employing. The Hungarian mines are wrought by freemen, who employ a great deal of machinery, by which they facilitate and abridge their own labour. From the very little that is known about the price of manufactures in the times of the Greeks and Romans, it would appear that those of the finer sort were excessively dear" (l.c., t. III).

Adam Smith himself says, ([Garnier,] l.c., t. III, l. IV, ch. I, p. 5) [Vol. II, pp. 239-40]:

"Mr. Locke remarks a distinction between money and other movable goods. All other movable goods, he says, are of *so consumable a nature*, that the wealth which consists in them cannot be much depended on.... Money, on the contrary, is a steady friend" and so on (l.c., t. III, p. 5).

And again ([Garnier,] l.c., pp. 24-25) [Vol. II, pp. 253-54]:

"Consumable commodities, it is said, are soon destroyed; whereas gold and silver are of a *more durable nature*, and were it not for this continual exportation, might be accumulated for ages together, to the incredible augmentation of the real wealth of the country."

The man of the Monetary system raves about gold and silver because they are *money*, the independent, tangible [form of] existence of exchange value; and [a form of] its existence that is indestructible, everlasting—in so far as they are not allowed to become means of circulation, the merely transient form of the exchange value of commodities. The ACCUMULATION of gold and silver, piling it up, hoarding it, is therefore his way of growing rich. And as I showed in the quotation from Petty,[73] other commodities are themselves valued according to the degree in which they are more or less durable, that is, remain exchange value.

Now *in the first place* Adam Smith repeats this idea of the relatively greater or less durability of commodities in the section where he speaks of consumption which is more or less advantageous for the formation of wealth, according as it is consumption of less or more durable articles of consumption.[74] Here therefore the Monetary system peeps through; and necessarily so, since even in direct consumption there is the mental reservation that the [IX-419] article of consumption remains *wealth*, a commodity, therefore a unity of use value and exchange value; and the latter depends on the degree to which the use value is durable, that is, on how slowly consumption deprives it of the possibility of being a *commodity* or bearer of exchange value.

Secondly, in his second distinction between productive and unproductive LABOUR he completely returns—in a wider form—to the distinction made by the Monetary system.

Productive *labour "fixes and realises itself in some particular subject or vendible commodity, *which lasts for some time at least after that labour is past*. It is, as it were, a certain quantity of labour stocked and stored up, to be employed, if necessary, upon some other occasion."*

On the other hand, the unproductive LABOUR's results or *services "generally perish in the very instant of their performance, and seldom leave any trace or *value* behind them, for which an equal quantity of service could afterwards be procured"* ([ed. McCulloch,] Vol. II, B. II, Ch. III, p. 94).

Thus Smith makes the same difference between commodities and SERVICES as the Monetary system did between gold and silver and the other commodities. With Smith too the distinction is made from the point of view of ACCUMULATION—no longer however in the form of hoarding, but in the real form of reproduction. The commodity perishes in consumption, but then it reproduces in turn a commodity of higher value; or, if it is not so used, it is itself value, with which another commodity can be bought. It is the nature of the product of labour that it exists in a *plus ou moins* durable, and therefore again salable, use value; in a use value in which it is a VENDIBLE COMMODITY, a bearer of exchange value, a *commodity*, or, in essence, *money*. The SERVICES of unproductive labourers do not again become *money*. I can neither pay debts nor buy commodities nor buy labour which produces surplus value with the services for which I pay the lawyer, doctor, priest, musician, etc., the statesman or the soldier, etc. They have gone, like perishable articles of consumption.

Thus *au fond*[a] Smith says the same thing as the Monetary system. For them, only that labour is productive which produces *money*, gold and silver. For Smith, only that labour is productive which produces *money* for its buyer; although he discerns the money character in all commodities in spite of its mask, while the Monetary system sees it only in the commodity which is the independent existence of exchange value.

This distinction is founded on the nature of bourgeois production itself, since wealth is not the equivalent of use value, but only the *commodity* is wealth, use value as bearer of exchange value, as money. What the Monetary system did not understand is how this money is made and is multiplied through the consumption of commodities, and not through their transformation into gold and silver—in which they are crystallised as independent exchange value, in which however they not only lose their use value, but do not alter the *magnitude of* their *value*.

d) NECKER

Some quotations from Linguet above have already shown that the nature of capitalist production was clear to him. Nevertheless, Linguet can be brought in here after Necker.[75]

In his two works *Sur la législation et le commerce des grains* (first published 1775) and *De l'administration des finances de la France*, etc., Necker shows how the development of the productive powers of labour merely results in the worker requiring *less time* for the reproduction of his own wage, and therefore working *more time* for his EMPLOYER *unpaid*. In dealing with this, he rightly starts from the basis of the *average wage*, the minimum of wages. What he is mainly concerned with, however, is not the transformation of labour itself into capital and the accumulation of capital through this process, but rather the general development of the antithesis between poverty and wealth, between poverty and luxury, because,

[a] At bottom.—*Ed.*

to the extent that a smaller quantity of labour suffices to produce the necessary means of subsistence, part of the labour becomes more and more superfluous and can therefore be used in the production of luxury articles, in a different sphere of production. Some of these luxury articles are durable; and so they accumulate from century to century in the possession of those who have surplus labour at their disposal, making the contrast ever deeper.

The important thing is that Necker traces the origin of the wealth of the non-labouring estates [IX-420]—profit and rent—entirely to surplus labour. In his treatment of surplus value, however, what he has in mind is relative surplus value, resulting not from the lengthening of the total working day but from the shortening of the *necessary labour time*. The productive power of labour becomes the productive power of the owner of the conditions of labour. And productive power itself=the shortening of the labour time that is necessary to produce a certain result. The chief passages are the following:

First: De l'administration des finances de la France, etc. (*Œuvres*, Vol. II, Lausanne and Paris, 1789[76]):

"I see one of the classes of society whose wealth must always be pretty nearly the same; I see another of these classes whose wealth necessarily increases: thus luxury, which arises from a relation and a comparison, has had to follow the growth of this disproportion and become more evident as time went on" (l.c., pp. 285-86).

(The contrast between the *two classes* as *classes* has already been clearly noticed.)

"The class of society whose lot is as it were *fixed* by the effect of social laws is composed of all those who, *living by the labour of their hands*, are subject to the imperative law of the *owners*" (owners of the conditions of production) "and are compelled to content themselves with a *wage proportionate to the simple necessities of life*; competition between them and *the urgency of their needs* bring about their *state of dependence*; these conditions cannot change" (l.c., p. 286).

"*The continual invention of instruments which have simplified all mechanical arts has*, then, *augmented the wealth and the fortunate lot of the owners*; one part of these instruments, *by reducing the costs of working the land, has increased the revenue* of which the owners of such property can dispose; another part of the discoveries of genius has *so greatly facilitated* the labours of industry that the *men who are in the service of the dispensers of the means of subsistence*" (i.e., of the capitalists) "have been able, *in an equal length of time, and for the same reward*, to produce a greater quantity of products of all kinds" (p. 287). "Let us assume that a century ago a hundred thousand workers were required to do what is done today by eighty thousand; the other twenty thousand would have found themselves obliged to take to *other occupations* to obtain wages; and the new products of their manual labour resulting from this would increase the pleasures and the luxuries of the rich" (pp. 287-88).

"For," he continues, "it must not be forgotten that the rewards assigned to all trades which do not require any special talent are always proportionate to the *price of the necessary subsistence for each labourer*; thus the *speed of production*, when the knowledge required has become common, *does not accrue to the advantage of the labouring men*, and *the result is only an augmentation of the means* for the satisfaction of the tastes and vanities of those who have at their disposal the products of the land" (l.c., p. 288). "Among the various good things of nature which are fashioned and changed by men's industry there are a large number whose durability greatly exceeds the usual span of life: each generation has inherited a part of the labours of the preceding generation"

//he is here only taking into account the accumulation of what Adam Smith calls the consumption fund//

"and in all countries there is a continual *accumulation* of a greater quantity of the products of the arts; and as this quantity is always divided among the owners, the disproportion between their possessions and those of the numerous class of citizens has necessarily grown greater and more noticeable" (p. 289).

Hence

"*the quickening pace of industrial production*, which has multiplied the things of pomp and luxury on earth, *the length of time in which accumulation has grown from this*, and the *laws of property, which have brought these good things into the hands of one class of society alone* ... these great sources of luxury would in any case have existed, whatever had been the quantity of coined money" (p. 291).

(The latter argument is directed against those who held that luxury was the result of the growth in the amount of money.)

Secondly: Sur la législation et le commerce des grains, etc. (*Œuvres*, Vol. IV):

"When the artisan or the husbandman *have no reserves left*, they can no longer argue; they must *work today on pain of dying tomorrow*, and in this conflict of interest between [IX-421] the owner and labourer, the one stakes his life and that of his family, and the other a mere delay in the growth of his luxury" (l.c., p. 63).

This contrast between wealth that does not labour and poverty that labours in order to live also gives rise to a contrast of knowledge. Knowledge and labour become separated. The former confronts the latter as capital, or as a luxury article for the rich.

"The faculty of knowing and understanding is a general gift of nature, but it is only developed by education; if properties were equal, everyone *would labour moderately*"

(so once again, the quantity of labour time is the decisive thing),

"and *everyone would know a little*, because everyone would have *a portion of time*" (spare time) "left to give to study and reflection; but with the inequality of fortunes, resulting from the social order, *education is prohibited* for all who are born without property; because all sustenance being in the hands of that part of the nation which possesses *money or land*, and no one giving anything for nothing, the man born without any other resource but his strength is obliged to devote it to the service of the owners from the first moment when his strength develops, and to continue thus all his life, from the moment when the sun rises to the moment when this strength has been worn down and needs to be renewed by sleep" (p. 112). "Lastly, is it not certain that this inequality of knowledge has become necessary for the maintenance of all the social inequalities *which gave rise to it?*" (l.c., p. 113), (cf. pp. 118, 119).

Necker ridicules the economic confusion—characteristic of the Physiocrats in relation to the land, and of all subsequent economists in relation to the material elements of capital—which glorifies the owners of the conditions of production, not because they themselves, but these conditions, are necessary for labour and the production of wealth.

"They begin by confusing the importance of the owner (a function so easy to perform) with the importance of the land" (p. 126).

Schmalz. In his criticism of Smith's distinction between productive labour and unproductive labour this German afterbirth of the Physiocrats says (German edition, *1818*):

"I observe only ... that Smith's distinction between *productive* and *unproductive* labour should not be considered as essential or very precise, if one has regard to the fact that in general the labour of others never produces anything for us but a saving of time, and that this saving of time is all that forms *its value* and *its price.*" [a]

//There is a confusion here: the value and the price of a thing is not determined by the saving of time effected through the division of labour, but I get more use value for the same value, labour is more productive, because a greater quantity of products is produced in the same time; however, as the echo of the Physiocrats he naturally could not discover value in labour time itself.//

"The joiner for example who makes a table for me, and the servant who takes my letters to the post, who cleans my clothes or gets for me the things I need, both perform a service of absolutely like nature. Both the one and the other save me the time which I myself would have to use up in doing these things, as also the time I would have to devote to acquire the skill and facility needed for them" (Schmalz, *Économie politique,* translated by Henri Jouffroy, etc. Vol. I, 1826, p. 304).

The following remark of this same scribbler Schmalz is also important for the link with Garnier, for instance his consumption system (and the economic utility OF VAST EXPENDITURE) with the Physiocratic system:

"This system" (Quesnay's) "regards the consumption of artisans, and even of *those who merely consume,* as meritorious, because this consumption, even though in an indirect and mediated way, contributes to the growth of the nation's revenue; since *but for this consumption the consumed products would not have been produced from the land and could not have been added to the revenue of the landowner*" (p. 321).[b]

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[a] Here and below Marx quotes Schmalz in French.—*Ed.*

[b] As the manuscript is damaged here, the text of the quotation is restored according to the original source.—*Ed.*

[X-422] *DIGRESSION*
TABLEAU ÉCONOMIQUE, ACCORDING TO QUESNAY[77]

5,000 millions annual gross product (in pounds of Tours)

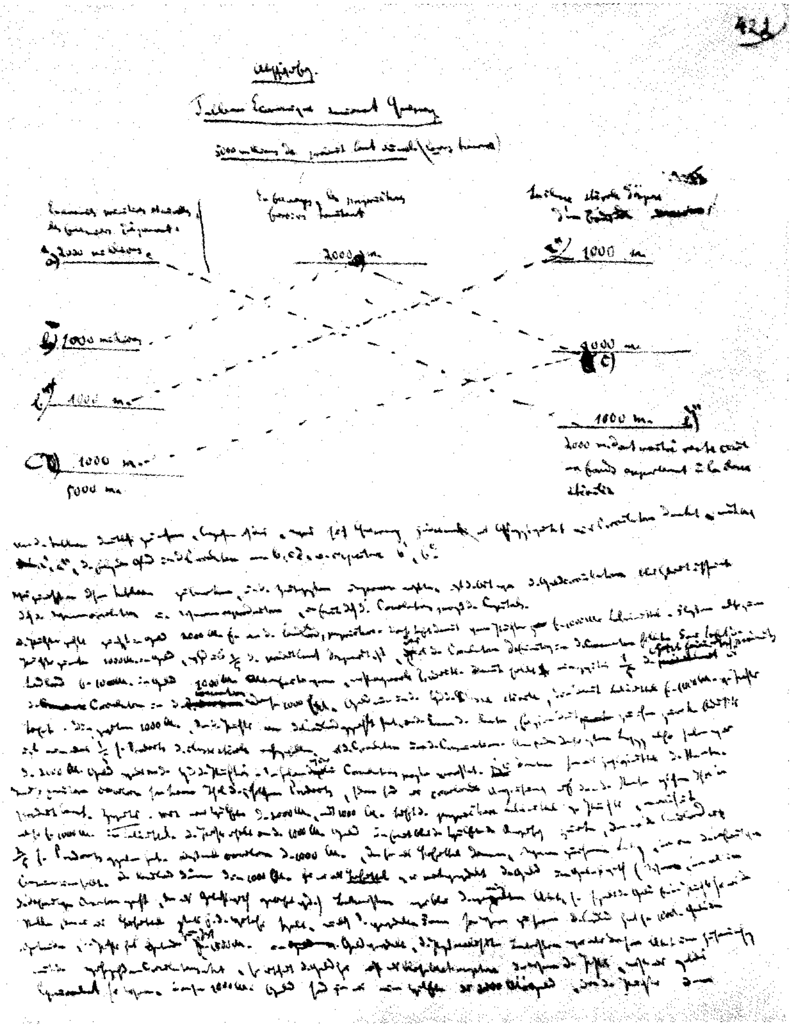
In original and annual advances, the farmers lay out	In rents, the landlords receive	The sterile class disposes of a fund of
a′) *2,000 millions*	a) *2,000 millions*	a″) *1,000 millions*
b) *1,000 millions*		
		c) *1,000 millions*
b″) *1,000 millions*		
d) *1,000 millions*		b′) *1,000 millions*
5,000 millions		2,000 millions, of which half remains as a fund belonging to the sterile class

To make the Tableau clearer, I have shown what Quesnay regards each time as the starting-point of a circulation, as a, a′, a″, the following link in the circulation as b, c, d, and as b′, b″ respectively.

The first point to note in this Tableau, and the point which must have impressed his contemporaries, is the way in which the money circulation is shown as determined purely by the circulation and reproduction of commodities, IN FACT by the circulation process of capital.

The farmer first pays 2,000 million frs in money to the LANDLORD, the *propriétaire*. With this, the landlord buys from the farmer 1,000 millions worth of means of subsistence. 1,000 millions therefore flow back to the farmer in money, while $^1/_5$ of the gross product is disposed of, passing definitively out of circulation into consumption.

The LANDLORD next buys, with 1,000 millions in money, manufactured commodities, non-agricultural products, to the value of 1,000 millions. With this purchase, a second $^1/_5$ of the (in this case manufactured) products falls out of circulation into consumption. These 1,000 millions in money are now in the hands of the sterile class, who buys with them from the farmer 1,000 millions worth of means of subsistence. Thus the second 1,000 millions which the



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farmer has paid to the LANDLORD in the form of rent flow back to the farmer. On the other hand, a further $^1/_5$ of the farmer's product has gone to the sterile class, out of circulation into consumption. At the end of this first movement, therefore, we have the 2,000 millions in money back in the hands of the farmer. This money has carried through four different processes of circulation.

First, it served as means of payment for rent. In this function it does not circulate any part of the annual product, but is merely a circulating draft on the part of the gross product which is equal to the rent.

Second, the landlord buys means of subsistence from the farmer, using half the 2,000 millions, that is, 1,000 millions, thus realising his 1,000 millions in means of subsistence. IN FACT, the farmer merely gets back, in the 1,000 millions in money, half of the draft he has given the LANDLORD for $^2/_5$ of his product. In this transaction the 1,000 millions, since they serve as means of purchase, circulate commodities to that amount, which fall into final consumption. The 1,000 millions here serve the LANDLORD only as *means of purchase*; he reconverts the money into use value (commodities, which however enter into final consumption, and are bought as use value).

If we consider purely the isolated act, the money here plays for the farmer merely the role which, as means of purchase, it always plays for the seller, namely, being the converted form of his commodity. The LANDLORD has converted his 1,000 in money into corn, the farmer has converted into money corn to the price of 1,000 millions, he has realised its price. But if we consider this act in connection with the preceding act of circulation, the money here does not appear as a mere metamorphosis of the farmer's commodity, as a golden equivalent of his commodity. The 1,000 millions are in fact only half the 2,000 millions, in money, which the farmer has paid to the [X-423] LANDLORD in the form of rent. It is true that he gets 1,000 millions in money for 1,000 millions in commodities, but in so doing in fact he only buys back the money with which he paid the LANDLORD the rent; that is to say, the LANDLORD buys, with the 1,000 millions which he has received from the farmer, 1,000 millions worth of commodities from the farmer. He pays the farmer with the money which he has received from the farmer without any equivalent.

This flowing back of the money to the farmer, taken in conjunction with the first act, does not *d'abord* make it appear to him a mere means of circulation. But then it is different in essence from the flowing back of money to its starting-point when the movement is an expression of a process of reproduction.

For example: the capitalist—or, to leave the characteristics of capitalist reproduction entirely out of account, a producer—lays out £100 for raw material, instruments of labour and means of subsistence for the period of his labour. We will assume that he does not add more labour to the means of production than he had expended on the means of subsistence, the wages that he has paid to himself. If the raw material, etc.,=£80, the means of subsistence consumed=£20, and the labour added ditto=£20, then the product=£100. If he now sells it, the £100 flows back to him in money, and so on. This flowing back of the money to its starting-point here expresses nothing but continuous reproduction. The simple metamorphosis in this case is *M—C—M*, transformation of money into commodity and retransformation of commodity into money—this mere change of form of money and commodity here representing at the same time the process of reproduction. Money is transformed into commodities, *means of production* and means of subsistence; then these commodities enter as elements into the labour process and emerge from it as a product. Thus a commodity appears again as a result of the process, that is, when the finished product re-enters the process of circulation, and by so doing again confronts money as a commodity; and finally it is reconverted into money, since the finished commodity can only be exchanged again for its production elements after it has first been transformed into money.

The constant flowing back of the money to its starting-point expresses here not only the formal conversion of money into commodity and commodity into money—as in the simple process of circulation or the mere exchange of commodities—but at the same time the continuous reproduction of the commodity by the same producer. Exchange value (money) is converted into commodities which enter into consumption, and are consumed as use values; they pass however into reproductive or industrial consumption, therefore reproduce the original value and consequently reappear in *the same* amount of money (in the above example, in which the producer labours only for his own maintenance). *M—C—M* here shows that *M* is not only formally converted into *C*, but *C* is actually consumed as a use value, falling out of circulation into consumption, but into industrial consumption, so that its value is maintained and reproduced in consumption, and *M* therefore reappears at the end of the process, being maintained in the movement *M—C—M*.

In contrast with this, in the case given above, no reproduction process takes place when the money flows back from the LANDLORD to the farmer. It is as if the farmer had given the LANDLORD tokens or TICKETS for products to the value of 1,000 millions. When the LANDLORD cashes these TICKETS, they flow back to the farmer and he redeems them. If the LANDLORD had had half the rent paid directly *in natura*, no circulation of money would have taken place. The whole circulation would have been limited to a simple change of hands, the transfer of the product from the farmer's hand to the LANDLORD's. First the farmer gives the LANDLORD the money instead of the commodity, and then the LANDLORD returns the money to the farmer in order to take the commodity itself. The money serves the farmer as *means of payment* to the LANDLORD; it serves the LANDLORD as *means of purchase* vis-à-vis the farmer. In the first function it moves away from the farmer, in the second it comes back to him.

This type of return flow of the money to the producer must always take place whenever he pays his creditors, instead of a part of his product, its value in money; and everyone who is a CO-PROPRIETOR of his SURPLUS is in this respect a creditor. For example: all taxes are paid by the producers in money. In this transaction the money is for them means of payment to the State. With this money the State buys commodities from the producers. In the hands of the State it is a means of purchase, and thus returns to the producers in the same measure as they part with their commodities.

This type of return flow—this peculiar flowing back of money that is not determined by reproduction—must take place in all cases where there is exchange of revenue for capital. What makes the money flow back in such cases is not reproduction but consumption. The revenue is paid in money, but it can only be consumed in commodities. The money which is received from the producers as revenue must therefore be paid back to them in order to obtain the same amount of value in commodities, that is, in order to consume the revenue. The money in which revenue is paid—rent for example, or interest or taxes //the [X-424] industrial capitalist pays his revenue to himself in the product, or from the sale of the product that part of it which forms his revenue//—has the general form of means of payment. The person who pays the revenue is supposed to have received from his creditor a part of his own product—for example, in the case of the farmer, the $^{2}/_{5}$ of the product which according to Quesnay constitutes the rent. He is only its nominal or *de facto* owner.

The part of the farmer's product, therefore, which constitutes his rent, requires for its circulation between farmer and LANDLORD only an amount of money equal to the value of the product, although this value circulates twice. First the farmer pays the rent in money; then with the same money the LANDLORD buys the product. The first is a simple TRANSFER of money, since the money functions only as *means of payment*; the assumption is therefore that the commodity for which it is paid is already in the hands of the payer and money does not serve him as a means of purchase; he receives no equivalent for the money, but on the contrary has this equivalent in advance. In the second transaction, on the other hand, the money functions as means of purchase, means of commodity circulation. It is as if, with the money in which he pays his rent, the farmer had bought the LANDLORD's share in the product. The LANDLORD, with the same money that he has thus received from the farmer (who however in fact has given it away without any equivalent), buys the product back again from the farmer.

The same sum of money, therefore, which is handed over by the producers to the owners of revenue in the form of means of payment, serves the owners of revenue as means of purchase for the producers' commodities. This twofold change of place of the money—from the hands of the producer into the hands of the owner of revenue, and from the latter's hands back into the hands of the producer—thus expresses only a single change of place on the part of the commodity, that is, from the hands of the producer into the hands of the owner of revenue. Since the producer is supposed to owe a part of his product to the owner of revenue, the money rent that he pays him is in fact only a retrospective payment for the value of the commodity which has already passed into his possession. The commodity is in his hands; but it does not belong to him. With the money that he pays in the form of revenue, he therefore redeems it making it his property. Therefore the commodity does not change hands. When the money changes hands, this represents only a *change in the title of ownership* of the commodity, which remains in the hands of the producer as before. Hence this twofold change of place of the money with only a single change of hands for the commodity. The money circulates twice, in order to make the commodity circulate once. But it too circulates only once as means of circulation (means of purchase), while the other time it circulates as means of payment; in which type of circulation, as I have shown above, no simultaneous change of place between commodity and money takes place.

In fact, if the farmer has no money in addition to his product, he can only pay for his product after he has first sold his commodity, and it has therefore already passed through its first metamorphosis before he can pay it out as money to the LANDLORD. Even taking this into account, there are more changes of place on the part of the money than on the part of the commodity. First, there is *C—M*; $^2/_5$ of the commodity is sold and transformed into money. Here there is the simultaneous exchange of commodity and money. Then however this same money, without being exchanged for a commodity, passes from the hands of the farmer into those of the LANDLORD. Here there is a change of place of the money, but no change of place of the commodity. It is the same as if the farmer had a CO-PARTNER. He has received the money, but he must share it with his CO-PARTNER. Or rather, for the $^2/_5$ it is more as if a SERVANT of the farmer has received the money. This SERVANT must give it to the farmer, he cannot retain it in his own pocket. In this instance the transfer of the money from one hand to the other does not express any kind of metamorphosis of the commodity, but is a mere TRANSFER of the money from the hand of its immediate possessor into the hand of its owner. This can therefore be the case when the man who first receives the money is merely a *colporteur*[a] for HIS EMPLOYER. Then the money is also not a means of payment—there is a simple transfer of it from the hand of the receiver, to whom it does not belong, into the hand of the owner.

This kind of change of place of money has absolutely nothing to do with the metamorphosis of the commodity, any more than has the change of place arising from the mere conversion of one kind of money into another kind. With a means of payment, however, it is always implied that the payer has received a commodity for which he subsequently pays. In the case of the farmer, etc., he has not *received* this commodity; it is in his hands before it is in the LANDLORD's hands, and it is a part of *his* product. But *in law* he becomes its owner only by handing over to the LANDLORD the money received for it. His legal title to the commodity changes; the commodity itself is in his hands both before and after. But first it was in his hands as something *in his possession* but the owner of which was the LANDLORD. It is now in his hands as his own property. The change in the legal form while the commodity remains in the

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[a] Agent.—*Ed.*

same hands has naturally not caused the commodity itself to change hands.

[X-425] //This also makes it clear how absurd it is to "explain" the profit of the capitalist from the fact that he advances money to the labourer before he has converted the commodity into money.[78]

First: When I buy a commodity for my own consumption I get no "profit" because I am the buyer and the owner of the commodity is the "seller", because my commodity has the form of money and his must first be transformed into money. The capitalist pays for the labour only after he has consumed it, while other commodities are paid for before they are consumed. This arises from the peculiar nature of the commodity which he buys, and which is in fact only delivered after it is consumed. The money here has the form of means of payment. The capitalist has always appropriated to himself the commodity "labour" *before* he pays for it. The fact however that he only buys it in order to make a profit out of the resale of its product is no *reason* for his making this profit. It is a motive. And it would mean nothing but: he makes a profit by buying wage labour *because* he wants to make a profit out of selling it again.

Secondly: But he does nevertheless advance to the labourer in the form of money the part of the product which is his share as wages, and thus saves the latter himself the trouble and risk and time involved in converting into money the part of the commodity which is due to him as wages. Is the labourer not to pay him for this trouble, this risk, and this time, and on this account to accept less of the product than he would otherwise get?

This would upset the whole relationship between wage labour and capital, and destroy the economic justification of SURPLUS VALUE. The result of the process is in fact that the fund from which the capitalist pays the wage labourer is nothing but the latter's own product, and that therefore capitalist and labourer *actually* share the product in aliquot parts. But this actual result has absolutely nothing to do with the transaction between capital and wage [labour] (on which rests the economic justification of SURPLUS, the justification founded on the laws of commodity exchange itself). What the capitalist buys is the temporary right to dispose of labour capacity, he only pays for it when this labour capacity has taken effect, objectified itself in a product. Here, as in all cases where money functions as means of payment, purchase and sale precede the real handing over of the money by the buyer. But the labour *belongs* to the capitalist after that transaction, which has been completed before the actual process of production begins. The *commodity* which emerges as product from this process belongs entirely to him. He has produced it with means of production belonging to him and with labour which he has bought and which therefore belongs to him, even though it has not yet been paid for. It is the same as if he had not consumed anyone else's labour in the production of the commodity.

The gain that the capitalist makes, the surplus value which he realises, springs precisely from the fact that the labourer has sold to him not labour realised in a commodity, but his labour capacity itself as a commodity. If he had confronted the capitalist in the first form, as a possessor of commodities,[79] the capitalist would not have been able to make any gain, to realise any surplus value, since according to the law of value exchange is between equivalents, an equal quantity of labour for an equal quantity of labour. The capitalist's surplus arises precisely from the fact that he buys from the labourer not a commodity but his labour capacity itself, and this has less value than the product of this labour capacity, or, what is the same thing, realises itself in more objectified labour than is realised in itself. But now, in order to justify profit, its very source is covered up, and the whole transaction from which it springs is repudiated. Because IN FACT—once the process is continuous—the capitalist only pays the labourer out of his own product, the labourer is only paid with a part of his own product, and the advance is therefore a mere pretence, we are now told that the labourer has sold his share in the product to the capitalist *before it has been converted into money.* (Perhaps before it was capable of being converted into money, for although the workman's labour had materialised itself in a product, it may be that only one part of the VENDIBLE COMMODITY[a] has as yet been realised, for example, part of a house.) So the capitalist is no longer owner of the product, and thereby the whole process through which he has appropriated another's labour *gratis* is invalidated. Now therefore owners of commodities confront each other. The capitalist has money, and the labourer sells him not his labour capacity but a commodity, namely, the part of the product in which his own labour is realised.

He [the labourer] will now say to the capitalist: "Of these 5 lbs of yarn, say $^3/_5$ represent constant capital. They belong to you. $^2/_5$, that is, 2 lbs, represent my newly added labour. Therefore you have to pay me the 2 lbs. So pay me the value of 2 lbs." And

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[a] See this volume, p. 17.—*Ed.*

thereby he would POCKET not only the wages but also the profit, in short, a sum of money=the quantity of labour newly added by him and materialised in the form of the 2 lbs.

"But," says the capitalist, "have I not advanced the constant capital?"

"WELL," says the labourer, "you deduct the 3 lbs for it, and pay me only 2."

"But," INSISTS THE CAPITALIST, "you couldn't materialise your labour, you couldn't spin, without my cotton and my spindles. You must pay extra for that."

"WELL," says the labourer, "the cotton would have rotted and the spindles rusted if I hadn't used them for spinning. [X-426] The 3 lbs of yarn which you are deducting do represent, it is true, only the value of your cotton and spindles which were used up, and are therefore contained, in the 5 lbs of yarn. But it is only my labour that has maintained the value of cotton and spindles unchanged, by using these means of production as means of production. I'm not charging you anything for this value-maintaining power of my labour, because it didn't cost me any extra labour time beyond the spinning itself, for which I get the 2 lbs. It's natural faculty of my labour which costs me nothing, though it maintains the value of the constant capital. As I don't charge you anything for it, you can't charge me for not being able to spin *without* spindles and cotton. For without spinning, your spindles and cotton wouldn't be worth a brass farthing."

Driven into a corner, the capitalist says: "The 2 lbs of yarn are in fact worth 2s. They represent that much labour time of yours. But am I to pay you for them before I have sold them? Perhaps I may not sell them at all. That is risk No. 1. Secondly, perhaps I may sell them at less than their price. That is risk No. 2. And thirdly, in any case it takes time to sell them. Am I to take on both risks on your behalf *without recompense* and lose my time INTO THE BARGAIN? You can't expect something for nothing."

"WAIT A BIT!" replies the labourer, "what's the relation between us? We face each other as *owners of commodities*, you *as buyer, we as sellers*, for you want to buy our share in the product, the 2 lbs, and it in fact contains nothing but our own objectified labour time. Now you assert that we must sell you our commodity *below* its value, so that as a result you would be getting more value in commodity than you now have in money. The value of our commodity=2s. You want to give only 1s. for it, so that—since 1s. contains as much labour time as 1 lb. of yarn—you would get from the exchange twice as much value as you give in return. We on the other hand would get, instead of an equivalent, only half an equivalent, an equivalent for only 1 lb. of yarn instead of 2 lbs. And on what do you base this demand, which is contrary to the law of value and the exchange of commodities in proportion to their value? On what? On the fact that you are buyer and we are sellers, that our value is in the form of yarn, of a commodity, and your value is in the form of money—that the same value in the form of yarn confronts the same value in the form of money. But, my good friend, that is in fact a mere change of form, which affects the way in which the value is *expressed* but leaves the *amount of value* unaltered. Or do you hold the childish view that every commodity must be sold *under* its price, i.e., for less than the sum of money which represents its value, because in the form of money it gets an *increased* value? But no, good friend, it does not get any increased value; the magnitude of its value does not change, it merely takes the shape of exchange value in its pure form.

"Besides, my good friend, think of the troubles you are laying up for yourself by taking this line. For what you assert amounts to this—that the seller must always sell his commodity to the *buyer below* its value. Indeed as far as you are concerned, this was the case earlier when we sold you not our commodity but our labour capacity itself. It is true that you bought it at its value, but you bought our actual labour *below* the value in which it is expressed. However that's an unpleasant memory—let's say no more about it. We've got beyond that, thank goodness, since—by your own decision—we are no longer to sell you our labour capacity as a commodity, but the commodity itself which is the product of our labour. Let's look at the troubles you're laying up for yourself. The new law you have set up—that the seller pays for the conversion of his commodity into money not with his commodity, through the exchange of his commodity for money, but that he pays for it by selling the commodity *below* its price—this law by which the buyer always fleeces and defrauds the seller must hold good in like measure for every buyer and seller. Let's suppose that we accept your offer—but on the condition that you yourself submit to the law just created by you, namely the law that the seller must surrender to the buyer a part of his commodity *for nothing*, in return for the buyer changing it into money for him. Then you buy our 2 lbs, which are worth 2s., for 1s. and thus make a profit of 1s. or 100%. But now you have 5 lbs of yarn, of a value of 5s., after you have bought the 2 lbs belonging to us. Now you think you're going to do a good stroke of business. The 5 lbs cost you only 4s., and you're going to sell them for 5s. 'Wait a minute!' says *the man who buys from you.* 'Your 5 lbs of yarn is a commodity, and you are a seller. I have the same value in money, and I am a buyer. Consequently, by the law which you recognise I must make 100% profit out of you. You must therefore sell me the 5 lbs of yarn at 50% below its value, for 2s. 6d. I'll give you then 2s. 6d. and get in exchange a commodity to the value of 5s., and thus make 100% profit out of you, for what's sauce for the goose is sauce for the gander.'

"So you see, my good friend, where you get with your new law; you would simply have diddled yourself, since although at one moment you are a buyer, the next you're in turn a seller. In this particular case you would lose more as a seller than you gained as a buyer. And don't forget this too—before the 2 lbs of yarn you want now to buy from us ever existed, didn't you make other purchases in advance, but for which the 5 lbs of yarn would never have been there at all? [X-426a][a] Didn't you buy cotton and spindles in advance, which are now represented by 3 lbs of yarn? At that time the COTTON JOBBER in Liverpool and the THROSTLE maker in Oldham faced you as *sellers,* and you faced them as *buyer*; they represented commodity, you money—exactly the same relationship as we have the honour or the misfortune to stand in to each other at this moment. Wouldn't the SHARP COTTON JOBBER and your jovial *compère*[b] from Oldham have had a good laugh at you, if you had demanded that they hand over to you *for nothing* a part of the cotton and spindles, or what is the same thing, sell you these commodities below their price (and their value), on the ground that you were transforming commodities for them into money but they were transforming money into commodities for you, that they were sellers, you buyer? They risked nothing, for they got ready money, exchange value in the pure, independent form. You, on the other hand, what a risk you were taking! First you had to make spindles and cotton into yarn, run all the risks of the production process, and then finally the risk of reselling the yarn, changing it back again into money! The risk whether it would sell at its value, or over or under its value. The risk of not selling it at all, of not transforming it back into money; and AS TO ITS QUALITY AS yarn, YOU DIDN'T CARE A STRAW FOR IT. YOU DID NOT EAT yarn, NOR DRINK IT, NOR HAVE ANY USE WHATEVER FOR IT EXCEPT SELLING IT! And in any case the loss of time, in transforming the yarn again into money, and that

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[a] Presumably Marx made a mistake in pagination.—*Ed.*
[b] Colleague.—*Ed.*

includes therefore the transformation of spindles and cotton into money. *'Old boy,'* your *compères* will reply, *'don't make a fool of yourself. Don't talk nonsense. What the devil do we care what you propose turning our cotton and our spindles to? What use you destine them for! Burn them, hang them, if you like, throw them to the dogs, but pay for them! The idea! We are to make you a present of our goods because you have set up as a cotton spinner, and seem not to feel quite at ease in that line of business, and magnify to yourself its risks and perilous chances! Give up cotton spinning, or don't come into the market with such preposterous ideas!'"*

The capitalist, with a supercilious smile, replies to this tirade from the labourers: "Evidently you people are a bit out of your depth. You're talking about things you don't understand. Do you imagine I've paid ready money to the Liverpool RUFFIAN and the CHAP in Oldham? THE DEVIL I DID. I've paid them in bills of exchange, and the Liverpool RUFFIAN'S COTTON WAS IN POINT OF FACT SPUN AND SOLD BEFORE HIS BILL FELL DUE. With you it's another affair altogether. You want to get ready money."

"VERY WELL," say the labourers, "and what did the Liverpool RUFFIAN and the Oldham CHAP do WITH YOUR BILLS?"

"What they were doing therewith?" says the capitalist. "Stupid question! They lodged them with their bankers and got them there discounted."

"How much did they pay the BANKER?"

*"Let me see! Money is now very cheap. I think they paid something like 3% discount; that is to say, not 3% on the sum, but they paid so much on the sum for the time the bill was running as would have come up to 3% on the whole matter if the bill had run for a whole year."

"Still better," say the working men. "Pay us 2s., the value of our commodity—or say 12s. as we have dealt today per day, but we will deal per week. But take away from that sum 3% per annum for 14 days."

"But this bill is too small," says the capitalist, "to be discounted by any banker."

"Well," reply the working men, "we are 100 men. Thus you have to pay to us 1,200s. Give us a bill for them. This makes £60 and is not too small a sum to be discounted; but besides, as you discount it yourself, the sum must not be too small for you, since it is the identical sum whence you pretend to derive your profit upon us.* The amount deducted wouldn't be worth mentioning. And since we would thus get the major part of our product in its entirety, we would soon reach the point when we didn't need you to discount it for us. Naturally we will not give you longer credit than the 14 days the STOCK JOBBER gives you."

If—turning the actual relationship upside-down—wages are to be derived from the discount on the part of the value of the total product that belongs to the workmen—that is, from the fact that the capitalist pays them this part in advance in *money*—he would have to give them very short-term bills of exchange, such as for example he pays to the COTTON JOBBER, etc. The workman would get the largest share of his product, and the capitalist would soon cease being a capitalist. From being the owner of the product he would become merely the workmen's banker.

Moreover, just as the capitalist takes the risk of selling the commodity below its [X-427] value, he equally takes the chance of selling it above its value. The workman will be thrown out onto the street if the product is unsaleable; and if it falls for long below the market price, his wages will be brought down below the average and SHORT TIME will be worked. It is he, therefore, that runs the greatest risk.

Thirdly: It never enters anyone's head to suggest that the farmer, because he has to pay rent in money, or the industrial capitalist, because he has to pay interest in money—and therefore in order to pay them must first have converted his product into money—is on that account entitled to deduct a part of his rent or his interest.//

In that part of the capital which circulates between industrial capitalist and labourer (that is, the part of the circulating capital which=the variable capital), there is also a return flow of the money to its starting-point. The capitalist pays the labourer his wages in money; with this money the labourer buys commodities from the capitalist, and so the money flows back to the capitalist. (In practice, to the capitalist's banker. But the bankers in fact represent, in relation to the individual capitalist, the aggregate capital in so far as it takes the form of *money*.) This return flow of the money does not in itself indicate any reproduction. The capitalist buys labour from the labourer with money; with the same money, the labourer buys commodities from the capitalist. The same money takes the form first of means of purchase for labour, and later on of means of purchase for commodities. That it comes back to the capitalist is due to the fact that at first he is a buyer, and then in turn, in relation to the same PARTIES, he is a seller. He parts with it as a buyer; it returns to him as a seller. The labourer on the contrary is first seller and then buyer, so first he gets the money and then he pays it out, while in relation to him the capitalist first pays it out and then takes it in.

For the capitalist, the movement here is *M—C—M*. He buys a commodity (labour capacity) with money; with the product of this labour capacity (a commodity) he buys money; in other words, he sells this product in turn to his former seller, the labourer. For the labourer, on the other hand, the movement of circulation is *C—M—C*. He sells his commodity (labour capacity), and with the money he gets for it he buys back a part of his own product (a commodity). It could indeed be said that the labourer sells a commodity (labour capacity) for money, spends this money on commodities, and then sells his labour capacity again, so that for him too the movement is *M—C—M*; and since the money is constantly fluctuating between him and the capitalist, it could equally be said, depending on whether one considers it from the standpoint of the one or of the other, that for him as well as for the capitalist the movement is *M—C—M*. The capitalist, however, is the buyer. The renewal of the process starts from him, not from the labourer, while the return flow of the money is compulsory, since the labourer must buy means of subsistence. Here, as in all movements where the form of circulation on one side is *M—C—M* and on the other *C—M—C*, it is made evident that the aim of the process of exchange on one side is exchange value, money—and therefore its increase—and on the other side use value, consumption. This is also the case when the money flows back as in the example first considered, where on the farmer's side the movement is *M—C—M*, *C—M—C* on the LANDLORD's side; taking into account the fact that the *M* with which the landlord buys from the farmer is the money form of the rent, and therefore the result of a movement *C—M*, the converted form of the part of the product that *au fond* belongs to the LANDLORD *in natura*.

This *M—C—M*, in so far as it merely expresses, as between labourer and capitalist, the return to the latter of the money laid out by him in wages, in itself does not indicate any reproduction process, but only that the two PARTIES are in turn buyer and seller in relation to each other. Nor does it represent money as capital, in such a way as in *M—C—M'*, where the second *M'* would be a larger sum of money than the first *M*, so that *M* represents self-valorising value (capital). On the contrary, it merely expresses the formal return of *the same* amount of money (often even less) to its starting-point. (By capitalist here, OF COURSE, is meant the class of capitalists.) I was therefore wrong in saying in the first Part[80] that the form $M—C—M$ must always be $M—C—M'$. It may express merely the formal return of the money, as I indicated there already, by showing that the return circuit of the money to the same starting-point arises from the fact that the buyer in turn becomes seller.[81]

It is not *this* return movement of the money that enriches the capitalist. For example, he has paid 10s. for wages. The labourer buys goods from him with this 10s. He has given the labourer goods to the value of 10s. for his labour capacity. If he had given him means of subsistence *in natura* to the price of 10s., there would have been no circulation of money, and therefore no return flow of money. This phenomenon of money returning has therefore nothing to do with the enrichment of the capitalist, which only arises from the fact that in the production process itself the capitalist appropriates more labour than he has expended in wages, and that his product is consequently larger than the costs of producing it; while the money that he pays the labourer can in no case be more than the money with which the labourer buys goods from him. This formal return of the money has nothing to do with enrichment, and therefore M here does not signify capital [X-428] any more than an increase or replacement of value takes place when money spent in rent, interest or taxes flows back to the payer of rent, interest and taxes.

$M—C—M$, in so far as it represents the formal return of money to the capitalist, only means that his promissory note issued in money is realised in his own commodity.

As an example of the wrong explanation of this money circuit—this return of money to its starting-point—see Destutt de Tracy above.[82] As a second example, with special reference to the circulation of money between labourer and capitalist, Bray is to be quoted later.[83] Finally, *Proudhon*, in regard to the money-lending capitalist.[a]

This form of return circuit $M—C—M$ is found wherever the buyer becomes in turn seller, and therefore in the movement of all commercial capital, where all dealers buy from each other in order to sell, and sell in order to buy. It is possible that the buyer—M—is unable to sell the commodity, rice for example, at a higher price than he bought it at; he may have to sell it below its price. Thus in such a case a simple return of the money takes place, because the purchase turns into a sale without the M having established itself as valorising value, that is, as capital.

[a] See this volume, pp. 222, 240.— *Ed.*

It is the same for example in the exchange of constant capital. The machine builder buys iron from the producer of iron and sells him machines. In this case the money flows back. It was paid out as means of purchase for the iron. It then serves the iron producer as means of purchase for machines, and so flows back to the machine builder. The latter has got iron for the money he paid out; he has delivered machines for the money he received. The same money has circulated twice its value. For example, the machine builder buys iron with £1,000; with the same £1,000 the iron producer buys machinery. The value of the iron and the machinery together=£2,000. In this way, however, £3,000 must be in motion: £1,000 money, £1,000 machinery and £1,000 iron. If the capitalists made an exchange *in natura*, the commodities would change hands without a FARTHING circulating.

It is the same when they have reciprocal accounting and the money serves them as means of payment. If paper money or credit money (bank-notes) circulate, then there is one difference in the transaction. £1,000 still exist in bank-notes, but they have no INTRINSIC VALUE. In any case here too there are 3 [times £1,000]: £1,000 iron, £1,000 machinery, £1,000 in bank-notes. But as in the first case these 3 only exist because the machine builder has had 2—machinery £1,000 and money—in gold and silver or bank-notes—£1,000. In both cases the iron producer returns to him only number two (the money); because the only reason why he received it at all was that the machine builder, as buyer, did not immediately become seller; he did not pay for the first commodity, the iron, in commodities, and so he paid for it in money. When he pays for it in commodities, that is, when he sells commodities to the iron producer, the latter returns the money to him because payment has not to be made twice, once in money, and the second time in commodities.

In both cases the gold or the bank-note represents the converted form of a commodity previously bought by the machine builder or a commodity bought by some other person, or perhaps of a commodity that has been converted into money even though it has not yet been bought (as in the case of revenue), such as the LANDLORD (his forebears, etc.)[84] represents. Here the flowing back of the money only indicates that [the person] who has paid out the money for commodities, the person who has thrown the money into circulation, pulls back the money out of circulation by the sale of another commodity that he throws into circulation.

The very same £1,000 we are thinking of could in one day pass through 30 hands, from capitalist to capitalist, and [it would] only transfer capital from one to the other. Machinery [goes] to the iron producer, iron to the peasant, grain to the maker of starch or spirits, etc. In the end it might again come into the hands of the machine builder, and pass from him to the iron producer, etc., and thus it might circulate a capital of £40,000 or more and might continually flow back to whoever first paid it out. Mr. Proudhon concludes from this that that part of the profit made on this £40,000 which consists of interest on money, and is therefore paid out by the different capitalists—for example, by the machine builder to the man who lent him £1,000, by the iron producer to the man who lent him £1,000 which he spent long ago for coal, etc., or in wages, etc.—that these £1,000 yield the *total interest* that the £40,000 bring in. So that if the rate of interest was 5%, £2,000 in interest. From which he makes the correct calculation that the £1,000 have brought in 200%. And he is a critic of political economy *par excellence*![a]

But although *M—C—M*, representing the money circulation between capitalist and labourer, in itself does not imply any act of reproduction, nevertheless this is implied by the continuous repetition of this act, the continuity of the return circuit. There cannot be a buyer continually becoming a seller without the reproduction of the commodity which he sells. In fact, this holds good for everyone except those who live on rent or interest or taxes. But in some cases the return movement *M—C—M* always takes place if the transaction is to be completed—as in the case of the capitalist in relation to the labourer, or LANDLORD or drawer of rent (with these latter, there is a simple return of the money). In other cases the act is completed when commodities are bought, when the movement *C—M—C* has been concluded, as in the case of the labourer. It is this act which he continually renews. His initiative is always as seller, not as buyer. The same holds good for all money circulation [X-429] which is merely expenditure of revenue. The capitalist himself, for example, consumes a certain amount each year. He has converted his commodity into money, in order to pay out this money for commodities which he wants for his final consumption. Here there is *C—M—C*, and there is no return of the money to him; but the return is to the seller (the SHOPKEEPER for example), whose capital is replaced by the expenditure of revenue.

Now we have seen that an exchange takes place, a circulation of revenue against revenue. The butcher buys bread from the baker;

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[a] See this volume, p. 240.—*Ed.*

the baker meat from the butcher; both consume their revenue. They do not pay for the meat that the butcher himself eats or the bread that the baker himself eats. Each of them consumes this part of his revenue *in natura*. It is however possible that the meat bought by the baker from the butcher replaces not the latter's capital but his revenue—that part of the meat sold by him which not only represents his profit but the part of his profit which he wants to consume himself, as revenue. The bread that the butcher buys from the baker is also an expenditure of his revenue. If the two run accounts with each other, one or the other of them has only to pay the balance. There is no money circulated in respect of the part of their reciprocal purchases and sales which balances out. Let us however assume that the baker has to pay the balance and that this balance represents revenue for the butcher. Then he spends the money from the baker on other articles of consumption. Assuming that this is £10, which he spends with the tailor. If the £10 represents revenue for the tailor, he spends it in a similar way; in turn, he buys bread with it, etc. In this way the money flows back to the baker, no longer however as a replacement of revenue, but as a replacement of capital.

A question that can still be raised is: in *M—C—M*, as carried through by the capitalist, when it represents self-valorising value, the capitalist draws more money out of circulation than he threw into it. (This was what the hoarder actually wanted to do but did not succeed in doing. For he does not draw more value in the form of gold and silver out of circulation than he threw into it in the form of commodities. He possesses more value in the form of money, whereas previously he had more value in the form of commodities.) The total production costs of his commodity=£1,000. He sells it for £1,200, because his commodity now contains 20% or $^1/_5$ unpaid labour—labour that he has not paid for but nevertheless sold. How then is it possible for all capitalists, the class of industrial capitalists, continually to draw more money out of circulation than they put into it? First it can be said that on the other hand the capitalist continually puts in more than he draws out. His fixed capital had to be paid for. But he sells it only in the measure that he consumes it, only bit by bit. It always enters only to a much smaller extent into the *value* of the commodity, while it enters in its entirety into the process of producing the commodity. If its circulation is 10 years, only $^1/_{10}$ of it enters annually into the commodity, and no money circulates in respect of the other $^9/_{10}$, as they do not in any way come into circulation in the form of a commodity. That is the first point.

We will consider this problem later,[85] and meanwhile return to Quesnay.

But first one other point. The return of bank-notes to a BANK which discounts bills or makes ADVANCES in notes is quite a different phenomenon from the return of money which we have been considering up to now. In this case the transformation of the commodity into money is anticipated. It receives the form of money before it is sold, perhaps before it is produced. Or perhaps it has already been sold (for bills of exchange). *In any case* it has not yet been *paid for,* not yet reconverted into money. This transformation is therefore in any case anticipated. As soon as it is sold (or *deemed* to be sold) the money flows back to the bank, either in its own notes, which thus come back out of circulation, or in notes of other banks, which are then exchanged for its own (between the BANKERS)—so that then the notes of both are withdrawn from circulation, return to their starting-point—or in gold and silver. If this gold and silver is demanded for bank-notes which are in some third person's hands, the notes come back. If the notes are not converted, a similar quantity of gold and silver is taken out of circulation, and now lies in the bank's reserves instead of the notes.

In all these cases the process is this:

The existence of the money (transformation of the commodity into money) was anticipated. As soon as it is actually transformed into money, the transformation into money takes place a second time. This second existence of it as money, however, returns to the starting-point—it cancels out, takes the place of its first existence as money, and comes back out of circulation to the bank. It is perhaps the *same identical* quantity of notes that expressed its first existence which now expresses its second. The bill of exchange for example has been discounted by a yarn manufacturer. He has received the bill of exchange from the weaver. With the £1,000 he pays for coal, raw cotton, etc. The various hands through which these notes pass in payment for their commodities finally spend them on linen, and so the notes come to the weaver, who on the day the bill matures pays the spinner the identical notes, and the spinner in turn takes them back to the bank. It is by no means necessary that the second (posthumous) transformation of the commodity into money—after the transformation in anticipation—[X-430] should be carried through in different money from the first. And so it seems as if the spinner has in fact got nothing, since he borrowed notes, and the end of the process is that he gets them back again and returns them to the issuer. In fact however these identical notes have served as means of circulation and means of payment during this period, and the spinner has used them in part to pay his debts, and in part to buy goods needed for the reproduction of the yarn, and in this way he has realised a SURPLUS (through the exploitation of his workmen), a part of which he can now pay back to the bank. Likewise in money, since more money has flowed back to him than he had expended, advanced, laid out. How? That again brings us to the question we had meanwhile held over.

So back to Quesnay. We come now to the 3rd and 4th acts of circulation.

L (the LANDLORD) buys manufactured commodities from S (sterile class, manufacturer)[86] (line a—c in the Tableau[a]) for 1,000. Here money, £1,000, circulates commodities to the same amount. //Because what takes place is a single act of exchange. If L bought from S in instalments and similarly received his rent from F (the FARMER) in instalments, the £1,000 of manufactured commodities could be bought say with £100. For L buys manufactured commodities from S for £100; S buys means of subsistence from F for 100; F pays 100 of rent to L; and when this had occurred 10 times, 10×£100 of commodities would have passed from S to L, and from F to S, and 10×£100 of rent from F to L. The whole circulation would then have been carried out with £100. If F however pays the rent in a single payment, a part of the £1,000 which is now in the possession of S and of the £1,000 which is again in F's possession might lie in their money-boxes, and the other part be in circulation.// Commodities to the value of £1,000 have now passed from S to L; on the other hand, money to the value of £1,000 has passed from L to S. This is simple circulation. Money and commodities merely change hands in the reverse direction. But in addition to the £1,000 of means of subsistence which the farmer has sold to L and which have thus gone into consumption, the £1,000 of manufactured commodities which S has sold to L have also gone into consumption. It must be noted that these existed before the new harvest. (Otherwise L could not buy them with the product of the new harvest.)

S for his part now buys means of subsistence to the value of £1,000 from F. Now *a second $^1/_5$ of the gross product* has fallen out of circulation and into consumption. As between S and F, the £1,000 functions as means of circulation. But at the same time two things take place here which do not take place in the process

[a] See this volume, p. 204.— *Ed.*

between S and L. In that process S reconverted into money one part of his product—manufactured goods to the amount of 1,000 millions. But in the exchange with F he transforms the money again into means of subsistence (which for Quesnay=wages), and in this way replaces the capital which he had expended in wages and consumed. This retransformation of the £1,000 into means of subsistence expresses, in the case of L, mere consumption, but in the case of S it expresses industrial consumption, reproduction; for he retransforms a part of his commodity into one of the elements in its production—means of subsistence. The one metamorphosis of the commodity, its retransformation from money into commodity, thus in this case expresses at the same time the beginning of its *real*, not merely *formal*, metamorphosis—the beginning of its reproduction, the beginning of its retransformation into its own production elements; in this transaction there is at the same time metamorphosis of the capital. But for L revenue is merely converted from the form of money into the form of commodity. This implies only consumption.

In the second place, however, since S buys means of subsistence from F for £1,000, the second £1,000 which F paid as money-rent to L returns to F. But it only returns to him because he draws it back out of circulation, buys it back, with an equivalent—£1,000 in commodities. It is the same as if the LANDLORD had bought from him £1,000 of means of subsistence (in addition to the £1,000); that is to say, as if the landlord had had the second part of his money-rent delivered by the FARMER in commodities, and had then exchanged these commodities for commodities from S. S ONLY LIFTS FOR L THE SECOND PART OF THE £2,000 IN COMMODITIES WHICH F HAS PAID TO L IN MONEY. If payment had been in kind, F would have given L £2,000 in means of subsistence; L would have consumed £1,000 of these himself, and exchanged the other £1,000 in means of subsistence with S, for the latter's manufactured goods. In this case there would only have been: (1) TRANSFER of the 2,000 millions in means of subsistence from F to L; (2) a barter transaction between L and S, in which the former exchanges £1,000 in means of subsistence against £1,000 in manufactured goods, and vice versa.

But instead of this, 4 acts have taken place: [X-431] (1) TRANSFER of £2,000 in money from F to L; (2) L buys means of subsistence for £1,000 from F; the money flows back to F, serving as means of circulation; (3) L buys manufactured goods from S for £1,000 in money; the money functions as means of circulation, changing hands in the reverse direction to the goods; (4) with the £1,000 in money, S buys means of subsistence from F; the money functions as means of circulation. For S, it at the same time circulates as capital. It flows back to F because now the second £1,000 in means of subsistence is LIFTED—for which the LANDLORD held a promissory note from him. The money however does not come back to him directly from the LANDLORD, but only after it has served as means of circulation between L and S, and in between, *before it lifts the 1,000 millions of victuals, has on its passage lifted £1,000 in manufactures, and transferred them from the manufacturer to the landlord. The conversion of his commodity into money (in the exchange with the landlord) as well as the following conversion of money into victuals (in the exchange with the farmer) are, on the part of S, the metamorphosis of his capital, first into the form of money, and secondly into the form of the constitutive elements necessary to the reproduction of the capital.*

The result of the 4 acts of circulation up to this point is therefore: the LANDLORD has spent his revenue, half on means of subsistence, half on manufactured goods. By these transactions, the £2,000 he received as rent in the form of money have been spent. Half of it flows back to the farmer from him direct, and half indirect, via S. S however has parted with one part of his finished goods, and has replaced this part with means of subsistence, that is, with an element needed for reproduction. With these processes completed, the circulation is at an end as far as the LANDLORD comes into it. But the following have passed out of circulation into consumption—partly unproductive consumption, partly industrial (the LANDLORD has partially replaced the capital of S by spending his revenue): (1) 1,000 millions of means of subsistence (product of the new harvest); (2) 1,000 millions of manufactured goods (product of the previous year's harvest); (3) 1,000 millions of means of subsistence which enter into reproduction, that is, into the production of the commodities which S next year will have to exchange against half the LANDLORD's rent.

The 2,000 millions in money are now again in the hands of the farmer. He then buys goods for 1,000 millions from S to replace his annual and original advances,[a] in so far as these consist partly of tools, etc., and partly of manufactured goods which he consumes during the process of production. This is a simple process of circulation. It puts 1,000 millions into the hands of S, while the second part of his product existing in the form of a

[a] See this volume, p. 204.—*Ed.*

commodity is converted into money. On both sides there is metamorphosis of capital. The farmer's 1,000 millions are reconverted into elements of production needed for reproduction. The finished goods of S are reconverted into money; they pass through the *formal* metamorphosis from commodity into money, without which the capital cannot be reconverted into its production elements, and therefore also cannot be reproduced. This is the 5th circulation process. *£1,000 of manufactured goods* (product of the previous year's harvest) (a′—b′) fall out of circulation into reproductive consumption.

Finally S reconverts the 1,000 millions in money, in which form half of his commodities now exist, into the other half of his conditions of production—raw materials, etc. (a″—b″). This is simple circulation. For S, it is at the same time the metamorphosis of his capital into the form suitable for its reproduction; for F, it is the reconversion of his product into money. Now the last $^1/_5$ of the gross product falls out of circulation into consumption.

That is to say: $^1/_5$ goes into reproduction for the farmer, and does not come into circulation; the LANDLORD consumes $^1/_5$ (that makes $^2/_5$); S gets $^2/_5$; in all, $^4/_5$.[87]

Here there is an obvious gap in the explanation. Quesnay seems to reckon like this: F gives L (line a—b) 1,000 millions ($^1/_5$) in means of subsistence. With £1,000 of his raw materials he replaces S's fund (a″—b″). And £1,000 in means of subsistence form wages for S, which he adds as value to the commodities and consumes in food while he is doing it (c—d). And 1,000 millions remain in reproduction (a′), not entering into circulation. Finally, 1,000 millions of the product replace advances (a′—b′). Only he overlooks the fact that S buys for the £1,000 in manufactured goods, neither means of subsistence nor raw materials from the farmer, but pays back to him his own money. In fact he sets out from the presupposition that the farmer possesses 2,000 millions in money in addition to his gross product, and that this money is the total fund from which the money in circulation is provided.

He also forgets that in addition to the 5,000 millions in gross product, a further 2,000 millions of gross product exist in manufactured goods produced before the new harvest. For the 5,000 millions represent only the total annual production, [X-432] the total crop produced by the farmers, but not the gross product of manufacture, the reproductive elements for which have to be replaced out of this year's harvest.[a]

[a] In this and the next paragraphs Marx uses French words and phrases.—*Ed.*

We thus have: (1) 2,000 millions in money in the farmer's hands; (2) 5,000 millions in gross product of the land; (3) 2,000 millions in manufactured goods. That is, 2,000 millions in money, and 7,000 millions in product (agricultural and industrial). The circulation process, put briefly, is as follows: F=farmer, L=LANDLORD, S=manufacturer, sterile.

F pays L 2,000 millions in money for rent; L buys from F means of subsistence for 1,000 millions. So $^1/_5$ of the farmer's gross product is DISPOSED OF. At the same time, 1,000 millions in money flow back to him. L moreover buys goods from S for 1,000 millions. By this transaction, $^1/_2$ of S's gross product is DISPOSED OF. In return for it, he has 1,000 millions in money. With this money he buys 1,000 millions of means of subsistence from F. By this transaction S replaces $^1/_2$ of the reproductive elements of his capital. This disposes of another $^1/_5$ of the farmer's gross product. At the same time the farmer finds himself again in possession of the 2,000 millions in money, the price of the 2,000 millions in means of subsistence which he has sold to L and S. F now buys goods from S for 1,000 millions, which replace for him $^1/_2$ of his advances. So the other half of the manufacturer's gross product is DISPOSED OF. Finally, S buys raw materials from the farmer for the last £1,000 in money; thereby a third $^1/_5$ of the farmer's gross product is DISPOSED OF, and the second half of the reproductive elements of the capital of S is replaced; but also 1,000 millions flow back to the farmer. The latter finds himself therefore again in possession of the 2,000 millions, which is in order, since Quesnay thinks of him as the capitalist, in relation to whom L is merely a RECEIVER of revenue and S merely a wage-earner. If he paid L and S directly in his product, he would not part with any money. If he pays out in money, they buy his product with it, and the money flows back to him. This is the formal return circuit of money to the industrial capitalist, who as buyer opens the whole business and brings it to an end. Moreover, $^1/_5$ of the advances belongs to reproduction. $^1/_5$ of the means of subsistence, however, which has not entered into circulation at all, remains to be disposed of.

S buys from the farmer means of subsistence for 1,000 millions and raw materials for 1,000 millions; and on the other hand F buys from him only 1,000 millions of commodities to replace his advances. So S has to pay a BALANCE of 1,000 millions which in the final instance he pays with the £1,000 he has received from L. Quesnay seems to confuse this *payment* of 1,000 millions to F with the *purchase* of F's product to the amount of 1,000 millions.

Reference must be made to the Abbé Baudeau's OBSERVATIONS on this point.[88]

In fact (on our calculation) the 2,000 millions have only served to: (1) pay rent to the amount of 2,000 millions in money; (2) circulate 3,000 millions of the farmer's gross product (1,000 millions means of subsistence to L, 2,000 millions means of subsistence and raw materials to S) and to circulate 2,000 millions of the gross product of S (1,000 of it to L, who consumes it, and 1,000 to F, who consumes it reproductively).

In the last purchase (a″—b″) in which S buys raw materials from F, he pays him back in money.

[X-433] So once more:

S has received from L 1,000 millions in money. With this 1,000 millions in money he buys means of subsistence from F to that amount. With the same 1,000 millions in money F buys commodities from S. With the same 1,000 millions in money S buys raw products from F.

Or, S buys from F raw materials for 1,000 millions in money, and means of subsistence for 1,000 millions in money. F buys goods from S for 1,000 millions [in money]. In this case 1,000 millions flow back to S, but only because it was assumed that in addition to the 1,000 millions in money he receives from the LANDLORD, and the 1,000 millions in goods that he still has to sell, he had over and above this another 1,000 millions in money which he himself had thrown into circulation. Instead of 1,000 millions circulating the goods between him and the farmer, on this assumption 2,000 would have been used for it. Then 1,000 returns to S. For he makes purchases from the farmer for 2,000 millions in money. The latter buys 1,000 from him, for which he pays him back half the money he had received from him.

In the first case S buys in two stages. First he pays out 1,000 millions; this flows back to him from F; and then he pays it out once more definitively to F, and so nothing comes back.

In the second case, on the other hand, S makes a single purchase for £2,000. If then F makes a return purchase for 1,000 millions, these remain with S. The circulation would have used £2,000 instead of 1,000, because in the first case the 1,000, by rotating twice, realised £2,000 in commodities. In the second case £2,000, in one rotation, also [realised] £2,000 in commodities. If the farmer now pays back 1,000 millions to S, S has not got more than in the first case. For he has thrown into circulation, in addition to £1,000 in commodities, also 1,000 in money from his own fund which existed prior to the circulation process. He has put it out into circulation, and so it flows back to him.

In the first CASE: S [buys] £1,000 of commodities from F, for 1,000 *M*; F [buys] £1,000 in goods from S, [for] 1,000 *M*; S [buys] 1,000 of commodities from F, [for] 1,000 *M*; so that F keeps 1,000.

In the second CASE: S [buys] 2,000 of commodities from F, for 2,000 *M*; F [buys] £1,000 of goods from S, for 1,000 *M*. The FARMER, as before, keeps £1,000. S however gets back the £1,000 of capital advanced by him to circulation, it is thrown back to him by circulation. S buys commodities from F for 2,000 millions; F buys goods from S for 1,000 millions. Therefore in any event S has to pay a balance of 1,000 millions, but not more than this. Since, by way of paying this balance, he had paid F 2,000 millions as a result of the particular form of circulation, F pays him back these 1,000 millions, while in the first case he does not return any money to him.

In the first case S makes purchases from F for 2,000 millions, and F from S for 1,000 millions. So as before the balance in F's favour=1,000 millions. But this balance is paid to him in such a way that his own money flows back to him, because S first buys 1,000 millions from F, then F 1,000 millions from S, and finally S 1,000 millions from F. In these transactions 1,000 millions have circulated 3,000. But in the aggregate the value in circulation (if the money is real money)=4,000 millions, 3,000 in commodities and 1,000 in money. The amount of money originally thrown into circulation (to pay F) and circulating was never more than 1,000 millions, i.e., never more than the balance which S had to pay to F. Because F bought from him to the amount of 1,000 millions before he buys from F to the amount of 1,000 millions for the second time, S can pay his balance with these 1,000 millions.

In the second case S throws 2,000 millions into circulation. It is true that with it he buys 2,000 millions in commodities from F. These 2,000 millions are here required as means of circulation, and are paid out against an equivalent in commodities. But F buys back goods for 1,000 millions from S. One thousand millions therefore return to S, as the balance which he has to pay to F is only 1,000 millions and not 2,000. He has now replaced for F 1,000 millions in commodities, and so F must pay him back the 1,000 millions, which *now* he would have paid him in money for nothing. This CASE is remarkable enough to spend a moment on it.

There are various possible cases of the circulation assumed above of £3,000 in commodities, of which 2,000 are means of subsistence [and raw material] and 1,000 manufactures; we must however note: *first* that on Quesnay's assumption there are 1,000 millions in money in the hands of S and 1,000 millions of money in the hands of F at the moment when the circulation between the two of them begins; *secondly*, we will assume by way of illustrating the point that in addition to the 1,000 millions which S receives from L, S has in his till another 1,000 millions in money.

[X-434] I. *First*: The case as Quesnay puts it. S buys 1,000 *C* from F, for 1,000 *M*; with the 1,000 *M* thus received from S, F buys 1,000 *C* from S; finally S, with the 1,000 *M* he has got back in this way, buys 1,000 *C* from F. F is therefore left with the 1,000 *M* which to him represents capital (IN FACT, along with the other 1,000 *M* which he has got back from L, it forms the revenue with which again next year he pays the rent in money; that is, 2,000 *M*). 1,000 *M* has here circulated 3 times—from S to F, from F to S, from S to F—and each time in exchange for £1,000 of commodities, that is, for £3,000 in all. If the money itself has value, values to a total of £4,000 are in circulation. Money here functions only as means of circulation; but for F, in whose hands it finally remains, it is transformed into money and possibly into capital.

II. *Secondly*: The money functions merely as means of payment. In this case S, who buys 2,000 *C* from F, and F, who buys 1,000 *C* from S, settle accounts with each other. At the close of the transaction S has to pay a balance of 1,000 millions in money. As in the former case, 1,000 *M* comes into F's money-box, but without having served as means of circulation. The money is a TRANSFER of capital for him, as it only replaces his capital of 1,000 *C*. As before, values amounting to 4,000 are in circulation. But instead of 3 movements of 1,000 *M*, there has only been one, and the money has only paid for an amount of values in commodity form that is equal to itself. In the former case, it paid for 3 times as much. What would be saved as compared with case I would be the two superfluous movements of circulation.

III. *Thirdly*: To start with F comes forward as the buyer with the 1,000 *M* (which he has had from L), and buys commodities from S for 1,000. Instead of lying fallow with him as a hoard for payment of the next rent, now the £1,000 circulates. S has now 2,000 *M* (1,000 *M* from L and 1,000 *M* from F). With these 2,000 *M* he buys 2,000 *C* from F. Now values to the amount of £5,000 have been in circulation (3,000 *C* and 2,000 *M*). There has been a circulation of 1,000 *M* and 1,000 *C*, and a circulation of 2,000 *M* and 2,000 *C*. Of these 2,000 *M*, the 1,000 originating with the farmer circulates twice, that originating with S only once. Now 2,000 *M* return to F, of which however only 1,000 *M* settles his balance; the other 1,000 *M*, which he himself had thrown into circulation because he took the initiative as buyer, flows back to him through circulation.

IV. *Fourthly*: S buys at once 2,000 *C* from F, with 2,000 *M* (1,000 from L, and 1,000 which he puts himself into circulation from his till). F buys back from S 1,000 *C*, thus returning to him 1,000 *M*; and F holds, as before, 1,000 *M* to settle the balance between him and S. Values to the amount of £5,000 have circulated. There are two acts of circulation.

Of the 2,000 *M* which S returns to F, 1,000 *M* represents the money which F himself threw into circulation, and only 1,000 *M* the money which S threw into circulation. Here 2,000 *M* instead of 1,000 *M* come back to F, but in fact he gets only 1,000, as he himself had thrown the other 1,000 into circulation. That is, in case III. In case IV 1,000 *M* returns to S, but it is the 1,000 which he got from his money-box, not from selling his commodities to P,[a] and himself threw into circulation.

In case I and indeed in case II there is never more than £1,000 in money circulating; but in case I it circulates 3 times and in case II it only once changes hands; this is merely due to the fact that in case II a high development of credit, and consequently economy in payments, is assumed; while in case I the movement is rapid; however, each time the money functions as means of circulation, and therefore the value at the two poles must each time appear twice, once in money and once in commodity. In case III and IV £2,000 circulate, instead of 1,000 as in I and II. This is because on one occasion in both cases (in case III by S as buyer who closes the circulation process, in case IV by S as buyer who opens the circulation process) commodity values to the amount of 2,000 *M* are at a single stroke thrown into circulation; that is, 2,000 *C* enter into circulation in a single act; it is assumed, moreover, that the commodities have to be paid for on the spot and not after the balance has been struck.

The most interesting thing about the movement is however the £1,000 which in case III is left in the hands of the farmer, in case IV in the hands of the manufacturer, although in both cases the balance of £1,000 is paid to the farmer, and he gets not a

[a] Here Marx denotes farmer by "P", presumably from *Pächter*.—*Ed.*

farthing more in CASE III, and not a farthing less in CASE IV. In these transactions, of course, the exchange is always an exchange of equivalents, and when we speak of a balance we mean only the equivalent value which is paid for in money instead of in commodities.

In [case] III F throws 1,000 *M* into circulation, and gets in exchange for it from S the equivalent in commodities, or 1,000 *C*. But then S buys commodities from him for 2,000 *M*. The first 1,000 *M* which he threw in thus comes back to him, because 1,000 *C* has been taken from him in exchange. This 1,000 *C* is paid for with the money which he had paid out. He gets the second 1,000 *M* in payment for the second 1,000 *C*. This balance is owed to him in money, because he had only bought in all 1,000 *C*, and commodities to the value of 2,000 millions had been bought from him.

[X-435] In CASE IV S throws 2,000 *M* into circulation AT ONCE, for which he takes from F commodities for 2,000. With the money which S himself had paid him, F in turn buys from S commodities for 1,000 and so the 1,000 *M* returns to S.

In CASE IV: S in fact gives F 1,000 C=1,000 M as commodity and 2,000 *M* as money, that is, 3,000 *M*; but S gets from F only 2,000 *C*. F has consequently to return to him 1,000 *M*.

In CASE III: F gives S in commodities the equivalent of 2,000 C=2,000 M, and in money=1,000 *M*. That is, 3,000 *M*. But he gets from S only 1,000 C, the equivalent of 1,000 *M*. S has consequently to return to him 2,000 *M*; he pays back 1,000 in the money which F himself threw into circulation, and he himself throws 1,000 into circulation. He keeps the balance of 1,000 *M*, but cannot keep 2,000 *M*.

In both cases S receives 2,000 *C*, and F 1,000 C+1,000 M, i.e., the balance in money. In CASE III, in addition to this, another 1,000 *M* comes to F, but this is only the excess of the money which he has thrown into circulation over what he has drawn from circulation in commodities. Similarly with S in CASE IV.

In both cases S has to pay a balance of 1,000 *M* as money, because he takes commodities to the value of 2,000 out of circulation, and puts into it commodities only to the value of 1,000. In both cases F has to receive a balance of 1,000 *M* as money, because he has thrown 2,000 *C* into circulation and only drawn from it 1,000 *C*, the second 1,000 *C* must therefore be paid in money to him. In both cases, it is only this 1,000 *M* that can finally change hands. Since however 2,000 *M* are actually in circulation, this must flow back to the person who put it into circulation; and this holds good whether F, in addition to receiving a balance of 1,000 *M* out of circulation, has thrown into it another 1,000 *M*; or whether S, who has to pay only a balance of 1,000 *M*, has in addition advanced another 1,000 *M*.

In CASE III 1,000 *M* comes into circulation in excess of the quantity of money that would under different circumstances be needed for the circulation of this quantity of commodities, because F comes forward as the first buyer, and must therefore throw money into circulation, whatever his ultimate position may be. In CASE IV, ditto, 2,000 *M* come into circulation, instead of only 1,000 as in II, because first S comes forward as buyer at the outset, and secondly buys 2,000 *C* all at once. In both cases the money that *circulates* between these buyers and sellers can finally only be equal to the balance which one of them has to pay. For the money which S or F has expended in excess of this amount is paid back to him.

Let us assume that F buys commodities from S to the value of £2,000. This CASE, then, would look like this: F gives S 1,000 *M* for commodities. S buys commodities from F for 2,000 *M*, as a result of which the first 1,000 returns to F and 1,000 INTO THE BARGAIN. F in turn buys commodities from S for 1,000 *M*, which brings this money back to S. At the end of the process F would have commodities to the amount of 2,000 *M* and the £1,000 that he had originally, before the circulation process began; and S commodities for 2,000 and 1,000 in money which he too originally had. The 1,000 *M* of F, and 1,000 *M* of S, would have played their role only as means of circulation and then would have flowed back—as money or in this case also as capital—to both the persons who had advanced them. Had they both used money as means of payment, they would have set off 2,000 *C* against 2,000 *C*; their accounts would have cancelled out and not a FARTHING would have circulated between them.

Thus the money which circulates as means of circulation between two persons who confront each other mutually as buyers and sellers returns to its source; there are 3 cases in which it can circulate.

[*First*:] The commodity values supplied balance each other. In this case the money returns to the person who advanced it to circulation and in this way used his capital to meet the costs of circulation. For example, if F and S each buys commodities for £2,000 from the other, and S opens the dance, he buys commodities from F for 2,000 *M*. F returns to him the 2,000 *M*, buying with it 2,000 in commodities from him. Thus S has both before and after the transaction 2,000 *C* and 2,000 *M*. Or when, as in the CASE cited previously, both advance the means of circulation to an equal amount, each gets back what he had advanced to circulation—as above, 1,000 *M* to F and 1,000 *M* to S.

Secondly: The commodity values exchanged between the two parties are not equal to each other. There is a balance to be paid in money. If, as above in CASE I, the circulation of the commodities has taken place in such a way that no more money has entered *into circulation* than is required for the payment of this balance—it being always only this sum that passes to and fro between the two parties—then it comes finally into the hands of the last seller, in whose favour the balance is.

Thirdly: The commodity values exchanged between the two parties are not equal to each other; there is a balance to be paid; but the circulation of the commodities takes place in such a form that more money circulates than is required to settle the balance; in this case the money in excess of this balance returns to the party who has advanced it. In CASE III to the man who receives the balance, in CASE IV to the one who has to pay it.

In the second category listed above the money only *returns* when the receiver of the balance is the first buyer, as for example between worker and capitalist. It changes hands, as [in case] II, when the other party comes forward as the first buyer.

[X-436] //Of course, all this only takes place on the assumption that the definite quantity of commodities is bought and sold between the same persons, so that each of them is alternately buyer and seller in relation to the other one. On the other hand let us assume that the 3,000 *C* are equally distributed among the commodity owners, A, A′, A″, the sellers, and they are confronted by the buyers B, B′, B″. If the 3 purchases take place simultaneously, that is to say, alongside each other, £3,000 must circulate, so that each A is in possession of 1,000 *M* and each B is in possession of 1,000 *C*. If the purchases follow each other, succeeding each other in time, the circulation of the same £1,000 can only effect these if the metamorphoses of the commodities are interwoven, that is to say, when some persons function as buyers and sellers, even if not [in relation] to the same persons as in the CASE above, but as buyer in relation to one person, and as seller in relation to the other. Thus for example: (1) A sells to B for £1,000; (2) A buys with this £1,000 from B′; (3) B′ with the £1,000 buys from A′; (4) A′ with the £1,000 from B′; (5) B′ with the £1,000 from A′. The money would have changed hands

5 times between the 4[a] persons; but also commodities to the value of £5,000 would have circulated. If commodities for 3,000 are to be circulated, it would be like this: (1) A [buys] from B for 1,000; (2) B from A′ for 1,000; [(3)] A′ from B′ for 1,000. 3 changes of place as between 4 persons. It is *M—C*.//

The CASES set out above do not contradict the law explained earlier:

"that, if the speed of circulation of money and the sum total of the commodity prices are given, the amount of the medium of circulation is determined" (I, p. 85).[b]

In example 1 above, £1,000[89] circulates 3 times, and in fact it circulates commodities to the amount of £3,000. The amount of money in circulation is consequently

$$\frac{3{,}000 \text{ (sum of prices)}}{3 \text{ (velocity)}} \text{ or } \frac{3{,}000 \text{ (sum of prices)}}{3 \text{ cycles}} = £1{,}000.$$

In CASE III or IV the total prices of the commodities in circulation are, it is true, the same=£3,000; but the speed of circulation is different. £2,000 circulate once, i.e., £1,000+£1,000. Of these £2,000, however, 1,000 circulates once more. £2,000 circulate $^2/_3$ of the 3,000 in commodities, and half of if, £1,000, circulates another $^1/_3$; one £1,000 circulates twice, but another £1,000 circulates only once. The twofold circulation of £1,000 realises commodities whose prices=£2,000; and the single circulation of £1,000 realises commodities whose prices=£1,000—both together=3,000 in commodities. What then is the speed of circulation of the money in relation to commodities which it circulates in this case? The £2,000 make $1^1/_2$ cycles (this is the same thing as *first* the total sum circulates once, and then half of it again completes one cycle)=$^3/_2$. And in fact:

$$\frac{3{,}000 \text{ (sum of prices)}}{^3/_2 \text{ cycles}} = £2{,}000.$$

What is it then that determines the *different rapidity* of circulation of the money in this case?

Both in III and IV the difference arises from the fact that, in contrast to I—where the total prices of the commodities circulating each time are never greater and never smaller than $^1/_3$ of the total prices of the aggregate quantity of commodities which

a The manuscript has "6".—*Ed.*

b K. Marx, *Zur Kritik der politischen Oeconomie*, Erstes Heft, Berlin, 1859 (see also present edition, Vol. 29, p. 341).—*Ed.*

circulate, commodities only to the amount of £1,000 circulate at any time—in III and IV, however, commodities for 2,000 circulate once, and commodities for 1,000 circulate once, that is, once $^2/_3$ of the existing quantity of commodities, and once $^1/_3$. For the same reason, larger varieties of coin must circulate in wholesale trade than in retail trade.

As I have already observed (I, "[The] Circulation of Money"), the reflux of the money shows in the first place that the *buyer* has *in turn* become *seller*[a]; and in fact it makes no difference whether in so doing he sells to the same person from whom he had bought, or not. If however the buying and selling is between the same persons, then the phenomena appear which have been the occasion of so many errors (Destutt de Tracy[82]). The buyer becoming seller shows that new commodities are to be sold. Continuity in the circulation of commodities—tantamount to its constant renewal (I, p. 78[b])—is, therefore, reproduction. The buyer can become in turn seller—as in the case of the manufacturer in relation to the labourer—without this denoting an act of reproduction. It is only the continuity, the repetition of this reflux, in relation to which it can be said that it denotes reproduction.

The reflux of money, when it represents the reconversion of the capital into its money form, necessarily shows the end of one cycle and the beginning again of new reproduction, if the capital as such continues the process. In this case too he [the capitalist], as in all other cases, was the seller, *C—M*, and then became buyer, *M—C*; but it is only in *M* that his capital again possesses the form in which it can be exchanged for its reproductive elements, and here the *C* represents these reproductive elements. *M—C* here represents the transformation of the money capital into productive or industrial capital.

Furthermore, as we have seen, the reflux of the money to its starting-point may show that the money balance in a series of purchases and sales is in favour of the buyer with whom the series of these processes opened. F buys from S for 1,000 in money. S buys from F for 2,000 in money. Here the £1,000 flows back to F. As for the other 1,000, there is merely a change of place of the money between S and F.

[X-437] Finally, however, a reflux of the money to its starting-point may take place without indicating payment of a

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[a] Ibid., p. 335.—*Ed.*

[b] Ibid., pp. 335-36.—*Ed.*

balance, both (1) when the reciprocal payments cancel each other out, and consequently there is no balance to be paid in money; and (2) when the transactions do *not* cancel out, and therefore a balance has to be paid. See the cases analysed above. In all these cases it makes no difference whether for example the same S confronts F; S representing here in relation to F and F to S the total number of those selling to him and buying from him (exactly as in the example where payment of a balance is indicated by the reflux of the money). In all these cases the money flows back to the person who so to speak has advanced it to circulation. It has done its job in circulation, like bank-notes, and comes *back* to the person who laid it out. *Here it is only means of circulation. The final capitalists settle with each other, and so it comes back to the one who paid it out.*

We have therefore still to deal later on with the question we have held over: the capitalist draws more money out of circulation than he threw into it.[85]

Back to Quesnay:

Adam Smith cites with some irony the Marquis de Mirabeau's hyperbolical statement:

"There have been since the world began three great inventions.... The first is the invention of *writing*.... The second is *the invention*" (!) "of *money*.... The third is the *economical table*, the result of the other two, which completes them both" (ed. Garnier, t. III, l. IV, ch. IX, p. 540) [Vol. III, pp. 147-48].[14]

But in fact it was an attempt to portray the whole production process of capital as a *process of reproduction*, with circulation merely as the form of this reproduction process; and the circulation of money only as a phase in the circulation of capital; at the same time to include in this reproduction process the origin of revenue, the exchange between capital and revenue, the relation between reproductive consumption and final consumption; and to include in the circulation of capital the circulation between consumers and producers (IN FACT between capital and revenue); and finally to present the circulation between the two great divisions of productive labour—raw material production and manufacture—as phases of this reproduction process; and all this depicted in one *Tableau* which IN FACT consists of no more than 5 lines which link together 6 points of departure or return—[and this was] in the second third of the eighteenth century, the period when political economy was in its infancy—this was an extremely brilliant conception, incontestably the most brilliant for which political economy had up to then been responsible.

As regards the circulation of capital—its reproduction process, the various forms which it assumes in this process of reproduction, the connection between the circulation of capital and circulation in general (that is, not only the exchange of capital for capital but of capital for revenue)—Adam Smith in fact only took over the inheritance of the Physiocrats and classified and specified more precisely the separate items in the inventory.[90] But his exposition and interpretation of the movement as a whole was hardly as correct as its presentation in outline in the Tableau économique, in spite of Quesnay's false assumptions.

When moreover Adam Smith says of the Physiocrats:

"Their works have certainly been of some service to their country" ([Garnier,] l. c., p. 538) [Vol. III, p. 146],

this is an immoderately moderate statement of the significance for example of Turgot, one of the immediate fathers of the French Revolution.

The passage from Proudhon referred to earlier[a] runs:

"The amount of mortgage debts, according to the best-informed writers, is 12 milliards; some put it as high as 16 milliards. The amount of debts on note of hand, at least 6. Limited-liability companies, about 2. The public debt, 8 milliards. Total: 28 milliards. All these debts—note this point—have their source in money lent, or deemed to be lent, at 4, at 5, at 6, at 8, at 12, and up to 15%. I take 6% as the average interest, as far as concerns the first 3 categories: that would be, then, on 20 milliards, 1,200 millions. Add the interest on the public debt, about 400 millions: in all, 1,600 millions annual interest, for a capital of 1 milliard" [p. 152]. That is to say, 160%.[91] For "the amount of ready money, I will not say existing, but circulating in France, including the cash balance of the Bank, does not exceed 1 milliard, according to the most usual estimate" (p. 151). "When the exchange has been completed, the money is once more available, and can therefore give rise to a new loan.... The capital-money, from exchange to exchange, always returns to its source, it follows that the re-lending, always done by the same hand, always profits the same person" (p[p. 153-]54). *Gratuité du crédit. Discussion entre M. Fr. Bastiat et M. Proudhon*, Paris, 1850.[b][92]

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[a] See this volume, p. 222.— *Ed.*

[b] Marx quotes from Proudhon partly in French, partly in German, with some alterations.— *Ed.*

[X-438] d) LINGUET
THÉORIE DES LOIX CIVILES ETC., LONDON, 1767

In accordance with the plan of my work socialist and communist writers are entirely excluded from the historical reviews.[93] These reviews are only intended to show on the one hand in what form the political economists criticised each other, and on the other hand the historically determining forms in which the laws of political economy were first stated and further developed. In dealing with surplus value I therefore exclude such eighteenth-century writers as Brissot, Godwin and the like, and likewise the nineteenth-century socialists and communists. The few socialist writers whom I shall come to speak of in this survey[94] either themselves adopt the standpoint of bourgeois political economy or contest it from its own standpoint.

Linguet however is not a socialist. His polemics against the bourgeois-liberal ideals of the Enlighteners, his contemporaries, against the dominion of the bourgeoisie that was then beginning, are given—half-seriously, half-ironically—a reactionary appearance. He defends Asiatic despotism against the civilised European forms of despotism; thus he defends slavery against wage labour.

Vol. I. The only statement directed against Montesquieu:

"*l'esprit des lois, c'est la propriété*,"[a] [p. 236][95]

shows the depth of his outlook.

The only economists whom Linguet found to deal with were the Physiocrats.

The rich have taken possession of all the conditions of production; hence the *alienation of the conditions of production*, which in their simplest form are the natural elements themselves.

"In our civilised countries, all the elements [of nature] are slaves" (p. 188).[b]

In order to get hold of some of this treasure appropriated by the rich, it must be purchased with heavy labour, which increases the wealth of these rich persons.

"Thus it is that all captive nature has ceased to offer to these children resources of easy access for the maintenance of their life. Its favours must be paid for by assiduous toil, and its gifts by stubborn labours."

(Here—in the gifts of nature—the Physiocratic view is echoed.)

"The rich man, *who has arrogated to himself the exclusive possession of it*, only at this price consents to restore even the smallest part of it to the community. *In order to be allowed to share in its treasures, it is necessary to labour to increase them*" (p. 189). "One

[a] The spirit of the laws is property.—*Ed.*
[b] Here and below, Marx quotes Linguet in French.—*Ed.*

must, then, renounce this chimera of liberty" (p. 190). Laws exist in order to "sanctify a primary usurpation" (of private property), "to prevent new usurpations" (p. 192). "They are, as it were, a conspiracy against the greater part of the human race" (l.c. [p. 195], that is, against those who own no property). "It is society which has produced the laws, and not the laws which have produced society" (p. 230). "Property existed before the laws" (p. 236).[96]

"Society" itself—the fact that man lives in society and not as an independent, self-supporting individual—is the root of property, of the laws based on it and of the inevitable slavery.

On the one hand, there were peaceful and isolated husbandmen and shepherds. On the other hand—

"hunters accustomed to live by blood, to gather together in bands the more easily to entrap and fell the beasts on which they fed, and to concert together on the division of the spoils" (p. 279). "It is among the hunters that the first signs of society must have appeared" (p. 278). "*Real society came into being at the expense of the shepherds or husbandmen, and was founded on their subjection*" by a band of hunters who had joined hands (p. 289). All duties of society were resolved into commanding and obeying. "This degradation of a part of the human race, after it had produced society, gave birth to laws" (p. 294).[a]

Stripped of the conditions of production, the labourers are compelled by need to labour to increase the wealth of others in order themselves to live.

"It is the impossibility of living by any other means that compels our farm labourers to till the soil whose fruits they will not eat, and our masons to construct buildings in which they will not live. It is want that drags them to those markets where they await masters who will do them the kindness of buying them. *It is want that compels them to go down on their knees to the rich man in order to get from him permission to enrich him*" (p. 274).

"Violence, then, has been the first cause of society, and force the first bond that held it together" (p. 302). "Their" (men's) "first care was doubtless to provide themselves with food ... the second must have been to seek to *provide themselves with it without labour*" (pp. 307-08). "They could only achieve this by *appropriating to themselves the fruit of other men's labour*" (p. 308). "The first conquerors only made themselves despots so that they could be idle with impunity, and kings, in order to have something to live on: and this greatly narrows and simplifies ... the idea of domination" (p. 309). "Society is born of violence, and property of usurpation" (p. 347). "As soon as there were masters and slaves, society was formed" (p. 343). "From the beginning, the two [X-439] pillars of the civil union were on the one hand the slavery of the greater part of the men, and on the other, the slavery of all the women.... It was at the cost of three-fourths of its members that society assured the happiness, the opulence, the ease of the small number of property owners whom alone it had in view" (p. 365).

Vol. II:

"The question, therefore, is not to examine whether slavery is contrary to nature in itself, but whether it is contrary to the nature of society ... it is

[a] Here Marx quotes Linguet partly in French, partly in German, with some alterations.— *Ed.*

inseparable from it" (p. 256). "Society and civil servitude were born together" (p. 257). "Permanent slavery ... the indestructible foundation of societies" (p. 347).

"Men have only been reduced to depend for their subsistence on the liberality of another man *when the latter by despoiling them has become rich enough* to be able *to return* a small portion to them. His feigned generosity could be no more than a *restitution of some part of the fruits of their labours which he had appropriated*" (p. 242). "*Does not servitude consist* in this obligation to sow without reaping for oneself, to sacrifice one's well-being to that of another, to labour without hope? And did not its real epoch begin from the moment when there were men whom the whip and a few measures of oats when they were brought to the stable could compel to labour? It is only in a fully developed society that food seems to the poor *starveling* a sufficient *equivalent* for his liberty; but in a society in its early stages free men would be struck with horror at this unequal exchange. It could only be proposed for *captives*. Only after they have been deprived of the enjoyment of all their faculties can it" [the exchange] "become a necessity for them" (pp. 244-45).

"*The essence of society* ... consists *in freeing the rich man from labour*, giving him new organs, untiring members, which take upon themselves all the laborious operations *the fruits of which he is to appropriate*. That is the plan which slavery allows him to carry out without embarrassment. He buys men who are to serve him" (p. 461). "In suppressing slavery, no claim was made that either wealth or its advantages were suppressed.... It was therefore necessary that things should remain the same except in name. It has always been necessary for the majority of men to continue to live in the pay of and in dependence on the minority which *has appropriated to itself all wealth*. Slavery has therefore been perpetuated on the earth, but under a sweeter name. Among us now it is adorned with the title of service" (p. 462).

By these servants, Linguet says, he does not mean lackeys, etc.:

"The towns and the countryside are peopled by another kind of servant, more widely spread, more useful, more laborious, and known by the name of *journeymen*,[a] *handicraftsmen*, etc. They are not dishonoured by the brilliant colours of luxury; they groan beneath the loathsome rags which are the *livery* of penury. *They never share in the abundance of which their labour is the source.* Wealth seems to grant them a favour when it kindly accepts the *presents that they make to it.* It is for them to be grateful for *the services which they render to it.* It pours on them the most outrageous contempt while they are clasping its knees imploring *permission to be useful to it*. It has to be pleaded with to grant this, and *in this peculiar exchange of real generosity for an imaginary favour*, arrogance and disdain are on the *side of the receiver*, and servility, anxiety and eagerness *on the side of the giver*. These are the servants who have truly replaced the serfs among us" (pp. 463-64).

"The point that has to be examined is: what effective gain the *suppression of slavery* has brought to them. I say with as much sorrow as frankness: all that they have gained is to be every moment tormented by the fear of death from hunger, a calamity that at least never visited their predecessors in this lowest rank of mankind" (p. 464). "He is free, you say. Ah! That is his misfortune. He is bound to no one; but also no one is bound to him. When he is needed, he is *hired at the cheapest price* possible. The meagre *wage* that he is promised is hardly equal to *the price of his subsistence for the day which he gives in exchange*. He is given *surveillants* (OVERLOOKERS) *to compel him to fulfil his task quickly*; he is hard driven; he is goaded on,

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[a] In the manuscript Marx inserted a German term in parentheses after the French one.— *Ed.*

for fear that a skilfully concealed and only too comprehensible laziness may make him hold back half his strength; for fear that the hope of *remaining employed longer on the same task* may stay his hands and blunt his tools. *The sordid economy that keeps a restless watch on him overwhelms him with reproaches at the slightest respite he seems to allow himself, and claims to have been robbed* if he takes a moment's rest. When he has finished he is dismissed as he was taken on, with the coldest indifference, and without any concern as to whether the twenty or thirty sous that he has just earned for a hard day's labour [X-440] will be enough to keep him *if he finds no work the following day*" (pp. 466-67).

"He is free! That is precisely why I pity him. For that reason, he is much less cared for in the labours in which he is used. His life is much more readily hazarded. The slave was precious to his master because of the money he had cost him. But the handicraftsman costs nothing to the rich voluptuary who employs him. Men's blood had some price in the days of slavery. They were worth at least as much as they could be sold for in the market. Since they have no longer been sold they have no real intrinsic value. A pioneer is much less valued in an army than a pack-horse, because the horse is very costly and a pioneer can be had for nothing. The suppression of slavery brought these military calculations into civil life; *and since that epoch there has been no prosperous bourgeois who does not calculate in this way, as heroes do*" (p. 467).

"The day labourers are born, grow up and are trained for" (are bred for) "the service of wealth without causing it the slightest expense, like the game that it massacres over its estates. It seems as if it really has the secret of which the unfortunate Pompey vainly boasted. Wealth has only to stamp on the ground, and from it emerge legions of hard-working men who contend among themselves for the honour of being at its disposal: if one among this crowd of mercenaries putting up its buildings or keeping its gardens straight disappears, the place that he has left empty is an invisible point which is immediately covered again without any intervention from anyone. A drop of the water of a great river is lost without regret, because new torrents incessantly succeed it. It is the same with labourers; the ease with which they can be replaced fosters the hard-heartedness towards them on the part of the *rich man*"

(this is the form used by Linguet; not yet capitalist) (p. 468).

"These men, it is said, have no master ... pure abuse of the word. What does it mean? they have no master—they have one, and the most terrible, the most imperious of masters, that is, *need*. It is this that reduces them to the most cruel dependence. *It is not one man in particular whose orders they must obey, but the orders of all in general.* It is not a single tyrant whose whims they have to humour and whose benevolence they have to court—which would set a limit to their servitude and make it endurable. *They become the valets of anyone who has money*, which gives their slavery an infinite compass and severity. It is said that if they do not get on well with one master they at least have the consolation that they can tell him so and the power to make a change: but the slaves have neither the one nor the other. They are therefore all the more wretched. What sophistry! For bear in mind that the number of those *who make others work* is very small and the number of labourers on the contrary is immense" (pp. 470-71). "What is this apparent liberty which you have bestowed on them reduced to for them? *They live only by hiring out their arms. They must therefore find someone to hire them, or die of hunger. Is that to be free?*" (p. 472).

"What is most terrible is that the very smallness of this pay is another reason for reducing it. The more the day labourer is driven by want, the cheaper he sells himself. The greater the urgency of his need, the less profitable is his labour. The despots for the moment whom he beseeches with tears to accept his services feel no shame in, as it were, feeling his pulse, to assure themselves that he has enough strength left; they fix the reward that they offer him by the degree of his weakness. The nearer they think he is to death from starvation, the more they deduct from what could keep him from it; and what the savages that they are give him is less to prolong his life than to delay his death" (pp. 482-83). "The independence" (of the day labourer) "...is one of the most baneful scourges that the refinement of modern times has produced. It augments the wealth of the rich and the poverty of the poor. The one saves everything that the other spends. What the latter is forced to economise is not from his superfluity but from what is indispensable to him" (p. 483).

"If today it is so easy to maintain these prodigious armies which join with luxury in order to bring about the extinction of the human race, it is only due to the suppression of slavery ... it is only since there have no longer been slaves that debauchery and beggary make heroes at five sous a day" (pp. 484-85).

"I find this" (Asiatic slavery) "a hundred times more preferable than any other way of existing for men reduced to having to win their livelihood by daily labour" (p. 496).

"Their" (the slaves' and the day labourers') "chains are made of the same material and only differently coloured. Here they are black, and seem heavy: there they look less gloomy and seem hollower: but weigh them impartially and you will find no difference between them; both are equally forged by necessity. They have precisely the same weight, or rather, if they are a few grains more in one case, it is in the one whose external appearance proclaims that it is lighter" (p. 510).

He calls to the men of the French Enlightenment, in regard to the labourers:

"Do you not see that the subjection, the annihilation—since it must be said—of this large part of the flock creates the wealth of the shepherds?... Believe me, in his interest" (the shepherd's), "in yours and even in theirs, leave them" (the sheep) "with the conviction that they have that this cur who yelps at them is stronger by himself than they are all together. Let them flee with stupid fright at the mere sight of his shadow. Everyone benefits from it. It will make it easier for you to gather them in to fleece them for yourselves. They are more easily guarded from being devoured by wolves. [X-441] It is true, only to be eaten by men. But anyway that is their fate from the moment they have entered a stable. Before talking of releasing them from there, start by overthrowing the stable, that is to say, society" (pp. 512-13).

f) BRAY (J. F.)
LABOUR'S WRONGS AND LABOUR'S REMEDY ETC., LEEDS, 1839

Since human existence is determined by labour, and labour presupposes means of labour ... "the great field for all exertion and the *raw material* of all wealth—the earth—must be[a] the common property of all its inhabitants" (p. 28).

"Life is dependent upon food, food upon labour, those dependencies are absolute. Therefore, if labour be evaded by any individual, it can be thus evaded by individuals only on the condition of increased labour by the mass" (p. 31).

"All the wrongs and the woes which man has ever committed or endured, may be traced to the assumption of a right in the soil, by certain individuals and classes, to the exclusion of other individuals and classes.... The next step which man has ever taken, after having claimed property in land, has been to claim property in man..." (p. 34).

[a] Bray has "is".—*Ed.*

Bray declares that his purpose is:

"fighting them" (the political economists) "upon their own ground, and with their own weapons" (in order to prove that poverty need not be the lot of the workers under every social system). "Before the conclusions arrived at by such a course of proceeding can be overthrown, the economists must unsay or disprove those established truths and principles on which their arguments are founded" (p. 41).

"According to the economists themselves the production of wealth requires: 1) labour, 2) accumulation of previous labour, or capital, and 3) EXCHANGES..." These are, according to the economists themselves, the *universal conditions of production*.[a] "They are applied to society at large, and, from their nature, cannot exempt any individual or any class from their operation" (p. 42).

"The ban—'Thou shalt labour'—rests alike on all created beings.... Man only can escape this law; and, from its nature, it can be evaded by one man only at the expense of another" (p. 43).

"From the very nature of labour and exchange, strict justice not only requires" //in this context, Bray refers to the economic definitions of the exchange value of commodities// "that all exchangers should be *mutually*, but that they should likewise be *equally*, benefited.... If a just system of exchanges were acted upon, the value of all articles would be determined by the entire cost of production; and equal values should always exchange for equal values. ... the workmen have given the capitalist the labour of a whole year, in exchange for the value of only half a year—and from this has arisen the inequality of wealth and power which at present exists around us. It is an inevitable consequence[b] of inequality of exchanges—of buying at one price and selling at another—that capitalists shall continue to be capitalists, and working men be working men—the one a class of tyrants and the other a class of slaves" (pp. 48-49).

"By the present system, exchanges are not only not mutually beneficial to all parties, as the political economists have asserted, but it is plain that there is, in most transactions between the capitalist and the producer, no exchange whatever ... what is it that the capitalist, whether he be manufacturer or landed proprietor, gives for the labour of the WORKING MAN? Labour? No, for he does not work—Capital? No, for his store of wealth is being perpetually augmented. ...the capitalist *cannot* make an exchange with anything that belongs to himself. The whole transaction, therefore, plainly shews that the capitalists and proprietors do no more than give the working man, for his labour of one week, a part of the wealth which they obtained from him the week before!—which just amounts to giving him nothing for something.... The wealth which the capitalist appears to give in exchange for the workman's labour was generated neither by the labour nor the riches of the capitalist, but it was originally obtained by the labour of the workman; and it is still daily taken from him, by a fraudulent system of unequal exchanges" ([p]p. 49[-50]). "The whole transaction between the producer and the capitalist, is a palpable deception, a mere farce" (p. 50).

"The law which says 'THERE SHALL BE ACCUMULATION', is only half fulfilled, and is made to subserve the interests of a particular class, to the detriment of all the rest of the COMMUNITY" (p. 50).

"Under the present social system, the whole of the working class are dependent upon the capitalists or EMPLOYERS OF THE MEANS OF LABOUR; and where one class, by its position in society, is thus dependent upon another class for the *MEANS OF*

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[a] Marx here summarises Bray's ideas.—*Ed.*

[b] Bray has "condition".—*Ed.*

LABOUR, it is dependent, likewise, for the *MEANS OF LIFE*; and this is a condition so contrary to the very intention of society—so revolting to reason ... that it cannot for one moment be palliated or defended. It confers on man a power which ought to be vested in nothing mortal" (p. 52).

"Our daily experience teaches us, that if we take a slice from a loaf, the slice never grows on again: the loaf is but an accumulation of slices, and the more we eat of it, the less will there remain to be eaten. Such is the [X-442] case with the loaf of the working man; but that of the capitalist follows not this rule. His loaf continually increases instead of diminishing: with him, it is cut and come again, for ever. ...if EXCHANGES were equal, would the wealth of the present capitalists gradually go from them to the working classes: every shilling that the rich man spent, would leave him a shilling less rich" (p[p. 54-]55).

Bray also shows in his work that

"it is impossible that any capitalist can have derived even 1,000 pounds sterling from the actual hoarded labour of his WORKING-CLASS PROGENITORS" (l.c. [p. 55]).

It follows from the teachings of the political economists themselves that "there can be no EXCHANGES without ACCUMULATIONS—no ACCUMULATIONS without labour"[a] (l.c.).

"Under the present system, every working man gives to an EMPLOYER at least 6 days' labour for an equivalent worth only 4 or 5 days' labour, the gains of the last man are necessarily the losses of the first man" (p. 56).

"Thus, in whatever light" [the genesis of wealth is] "examined—whether as a gift, individual accumulation, exchange, inheritance—there is proof upon proof that there is a flaw in the rich man's title which takes away at once its very show of justice, and its value" (p. 56). "This wealth has all been derived from the bones and sinews of the working classes during successive ages, and it has been taken from them by the fraudulent and slavery-creating system of unequal EXCHANGES" (p. 57).

"If a working man under the present system would become wealthy, he instead of exchanging his own labour, must become a capitalist, or exchanger OF THE LABOUR OF OTHER PEOPLE; and thus, by plundering others in the same manner as he was plundered, through the MEDIUM OF UNEQUAL EXCHANGES, he will be enabled to acquire great gains FROM THE SMALL LOSSES OF OTHER PEOPLE" (p. 57).

"The political economists and capitalists have written and printed many books to impress upon the working man the fallacy that 'the gain of the capitalist is *not* the loss of the producer'. We are told that labour cannot move one step without capital—that capital is as a shovel to the man who digs—that capital is just as necessary to production as labour itself is. ...this mutual dependency between capital and labour has nothing to do with the relative position of the capitalist and the working man; nor does it show that the former should be maintained by the latter.... It is the capital, and not the capitalist, that is essential to the operations of the producer; and there is as much difference between the two, as there is between the actual cargo and the bill of lading" (p. 59).[97]

"From the relation which capital and labour bear to each other, it is evident that the more capital or accumulated produce there is in a country, the greater will be the facilities for production, and the less labour will it require to obtain a given (certain) result. Thus the people of Great Britain, with the aid of their present VAST accumulation of capital—their buildings, machinery, ships, canals and railways—can produce more manufactured wealth in one week, than their ancestors of a thousand years since could have created in half a century. It is not

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[a] Marx quotes Bray with some alterations.—*Ed.*

our superior physical FORCES,[a] but our capital, which enables us to do this; for, wherever there is a deficiency of capital, production will progress slowly and laboriously, and vice versa. From these considerations, then, it is apparent, that whatever is gained to capital, is likewise gained to labour—that every increase of the former tends to diminish the toil of the latter—and that, therefore, every loss to capital must also be a loss to labour. This truth, though long since observed by the political economists, has never yet been FAIRLY STATED by them."

//In fact, the fellows argue in the following way:

Accumulated products of labour, i.e., products not consumed, lighten and FRUCTIFY LABOUR. As a consequence, the fruits of this lightening, etc., must go not to labour itself but to accumulation. Consequently, it is not accumulation which must be the property of labour but labour must be the property of accumulation—of its own products. Consequently, the worker must not accumulate for himself but for someone else, and the accumulation must confront him as capital.

For the economists, the material element of capital is so integrated with its social formal determination as capital—with its antagonistic character as the product of labour dominating labour—that they cannot write a single sentence without contradicting themselves.//

"*They have even identified capital with one class of the* COMMUNITY, *and labour with another class*—although the two powers have naturally, and should have artificially, no such connection. The economists always attempt to make the prosperity, if not the very existence, of the working man dependent upon the condition of maintaining the capitalist in luxury and idleness. They would not have the working man to eat a meal until he has produced two—one for himself and the other for his MASTER—the latter receiving his portion indirectly, by unequal exchanges" (p[p. 59-]60).

"When the workman has produced a thing, it is his no longer—it belongs to the capitalist—it has been conveyed from the one to the other by the unseen magic of unequal exchanges" (p. 61).

"Under the present system, capital and labour—the shovel and the digger—are two separate and antagonistic powers" (p. 60).

[X-443] "But even if all the land and the houses and the machinery did belong to the capitalists, and the working class were not in being, the former would not thereby be enabled to evade the great condition 'THAT THERE SHALL BE LABOUR'. Their wealth would leave them in the choice only of dying or working.[b] They cannot eat the land and the houses; and the land will not yield sustenance, nor the machinery make clothing, without the application of human labour. Therefore, when the capitalists and proprietors say that the working class must SUPPORT them, they likewise say, in effect, that the producers belong to them as well as land and water[c] do—that the working man was created only for the rich man's use!" (p. 68).

"The producer receives, in exchange for what he gives to the capitalist—not the

[a] Bray has "powers".—*Ed.*
[b] Bray has "of working or starving".—*Ed.*
[c] Bray has here: "the houses and land".—*Ed.*

labour nor the produce of the labour of the capitalist, but—work! Through the *instrumentality of money, the working class are not only compelled to perform the* labour which the preservation of existence naturally imposes upon them, but they are likewise saddled with the labour of other classes. It matters not whether the producers now receive gold, or silver, or other commodities from a non-producing class: it *all* amounts to this—that the working class perform their own labour, and support themselves, and likewise perform the labour of the capitalist, and maintain him INTO THE BARGAIN! Whatever may be the *nominal* RECEIPTS which the producers receive from the capitalists, their actual RECEIPTS are—*the TRANSFER of that labour which ought to be rendered by the capitalists*" (pp. 153-54).

"We will suppose the population of the UNITED KINGDOM to be 25,000,000 of human beings. We assume that their maintenance is,[a] on the average, at least £15 per head annually. This gives £375,000,000 as the yearly value of the maintenance of the whole people of the UNITED KINGDOM. We do not, however, employ ourselves merely in producing articles of subsistence, for our labour creates, likewise, many unconsumable articles. We every year add to our STOCK OF ACCUMULATIONS, OR CAPITAL, by increasing the number of our houses, ships, IMPLEMENTS, machines, roads, and other assistants to further production, beside making good all wear and tear. Thus, although our subsistence may be worth but three hundred and seventy-five millions sterling a year, the total annual value of the wealth created by the people will not be less than five hundred millions sterling" (p. 81).

"We cannot calculate upon having above 1/4 of our population, or about 6 millions of men—that is, those between the ages of 14 and 50—as effective producers. Of *this number scarcely 5 millions can be said, under the present* arrangements, to assist in production;" (Bray writes later on that only 4 millions are directly employed in actual production) "for thousands of able-bodied men[b] are compelled to stand idle while the work which they ought to do is being performed by women and children; and hundreds of thousands of men in Ireland can obtain no employment whatever. Thus 5 millions[c] of men, assisted by a few thousands of women and children, have to create produce for 25 millions" (pp. 81-82).

"The present number of working men, if unassisted by machinery, could not support themselves and the present number of idlers and unprofitable labourers. The agricultural and manufacturing machinery of every kind which we bring to our aid in the business of productions, has been computed to perform the labour of about one hundred millions of effective men. ... this machinery—and its application under the present system, has generated the hundreds of thousands of idlers and livers on profit who now press the working class into the earth" (p. 82).

"The present constitution of society has been fertilised by machinery, and by machinery will it be destroyed" (p. 82). "The machinery itself is good—is indispensable; it is the application of it—the circumstance of its being possessed by individuals instead of by the nation—that is bad" (p. 83).

"Of the 5 million men who at present assist in production some work only 5 hours a day, others 15;[d] and when to this is added the time lost by the compulsory

[a] Bray has "We may estimate the entire maintenance of the 25 millions of people to be worth".—*Ed.*

[b] Bray has further: "in Great Britain".—*Ed.*

[c] Bray has "less than 5 millions".—*Ed.*

[d] Bray has "The five millions of men already enumerated as assisting in production will include all who labour little or much. Some [...] do not work five hours a day, while others again toil on fifteen hours."—*Ed.*

idleness of great numbers in times OF DEPRESSION in TRADE, it will be found that our annual production is created and distributed by less than $^1/_5$ of the COMMUNITY, working, on the average, 10 hours a day" (p. 83).

"We suppose that the wealthy non-producers of every description, with their families, and dependents, amount only to 2 millions of persons, yet this number alone would cost the working classes £30,000,000 annually, if their maintenance were averaged, like that of the latter, at £15 per head" (pp. 83, 84). "But upon the most moderate computation their maintenance will cost not less than £50 per head. This gives a total of £100,000,000 as the annual cost of the mere drones of society—the utterly unproductive" (p. 84).

"Add to this[a] the double and quadruple ALLOWANCE received by the various classes of small proprietors, manufacturers, and tradesmen, in the shape of [X-444] profit and interest. Upon the most moderate computation, the share of wealth enjoyed by this extensive portion of the COMMUNITY will amount to not less than £140,000,000 annually, *above* the average of what is received by an equal number of the best paid of the working class. Thus, along with their government, the 2 classes of idlers and livers on profit—comprising perhaps $^1/_4$ of the entire population—absorb about £300,000,000 annually, or above one half of the entire wealth produced" (p[p. 84,] 85). "An average loss of above £50 per head to every working man in the empire! ... This leaves no more than an average of £11 per head per annum, to be divided amongst the remaining $^3/_4$ of the nation. From calculations made in 1815, it appears that the annual income of the whole people of the UNITED KINGDOM amounted to about £430,000,000; of which the working class received £99,742,547, and the rent, pension, and profit class £330,778,825! The whole property of the country was at the same time calculated to be worth nearly three thousand millions of pounds sterling" (p. 85).

Cf. the list of King[98] etc.

1844: *ENGLAND. POPULATION*: NOBILITY AND GENTRY=1,181,000. *TRADESMEN, FARMERS, etc.*=4,221,000 (combined total—5,402,000). LABOURERS, PAUPERS, etc.=9,567,000. Banfield (T.C.), *The Organisation of Industry*, 2nd ed., London, 1848 [pp. 22-23].

[X-445] g) Mr. RODBERTUS
DRITTER BRIEF AN V. KIRCHMANN VON RODBERTUS. WIDERLEGUNG DER RICARDOSCHEN LEHRE VON DER GRUNDRENTE UND BEGRÜNDUNG EINER NEUEN RENTENTHEORIE, BERLIN, 1851[99]

The following remark has to be made beforehand: supposing the necessary wage=10 hours, then this is most easily explained in the following manner. If 10 hours' labour (i.e., a sum of money=10 hours) enabled the agricultural labourer, on an average, to purchase all the necessary means of subsistence, agricultural, industrial products, etc., then this is the average wage for UNSKILLED LABOUR. We are thus concerned here with the *value* of his daily product which must fall to his share. In the first place this value exists in the form of the *commodity* which he produces, i.e., [in] a certain *quantity of this commodity*, in exchange for which, after

[a] Bray has "likewise".— *Ed.*

deducting what he himself consumes of the commodity (IF [he does consume any of it]), he can procure for himself the necessary means of subsistence. Not only the *use value* which he himself produces, but industry, agriculture, etc., thus come into the estimation of his necessary "income". But this is inherent in the concept of *commodity*. He produces a commodity, not merely a product. We need therefore waste no words about this.

Mr. Rodbertus first investigates the situation in a country where there is *no* separation between land ownership and ownership of capital. And here he comes to the right conclusion that rent (by which he means the entire *surplus value*) is simply=to the unpaid labour or the quantity of products which it represents.

In the first instance it is noteworthy that Rodbertus only takes into account the growth of *relative* surplus value, i.e., the growth of surplus value in so far as it arises out of the growing productivity of labour and not the growth of surplus value derived from the prolongation of the working day itself. All absolute surplus value is of course relative in one respect. Labour must be sufficiently productive for the worker not to require all his time to keep himself alive. But from this point the distinction comes into force. Incidentally, if originally labour is but little productive, the needs are also extremely simple (as with slaves) and the masters themselves do not live much better than the servants. The relative productivity of labour necessary before a PROFIT-MONGER, a parasite, can come into being is very small. If we find a high rate of profit though labour is as yet very unproductive, and machinery, division of labour, etc., are not used, then this is the case only under the following circumstances: either as in India, partly because the requirements of the worker are extremely small and he is depressed even below his modest needs, but partly also because low productivity of labour is identical with a relatively small fixed capital in proportion to the share of capital which is spent on wages or, and this comes to the same thing, with a relatively high proportion of capital laid out in labour in relation to the total capital; or finally, because labour time is excessively long. The latter is the case in countries (such as Austria, etc.) where the capitalist mode of production is already in existence but which have to compete with far more developed countries. Wages can be low here partly because the requirements of the worker are less developed, partly because agricultural products are cheaper or—this amounts to the same thing as far as the capitalist is concerned—because they have less value in terms of money. Hence the quantity of the product of, say, 10 hours' labour, which must go to the worker as necessary wages, is small. If, however, he works 17 hours instead of 12 then this can be made good. In any case because in a given country the relative value of labour falls in proportion to its productivity, it must not be imagined that wages in different countries are inversely proportional to the productivity of labour. In fact exactly the opposite is the case. The more productive one country is relative to another in the world market, the higher will be its wages as compared with the other. In England, not only nominal wages but real wages are higher than on the Continent. The worker eats more meat; he satisfies more needs. This, however, only applies to the industrial worker and not the agricultural labourer. But in proportion to the productivity of the English workers their wages are not higher.

Quite apart from the variation in rent according to the fertility of the land, rent as such—hence the modern form of landed property—would already be possible, it could exist, because the average wage of the agricultural labourer is below that of the industrial worker. Since, to start with, by tradition (as the farmer of the old times turns capitalist before capitalists turn farmers) the capitalist passed on part of his gain to the LANDLORD, he compensated himself by forcing wages down below their level. With the labourers' desertion of the land, wages had to rise and they did rise. But hardly has this pressure become evident, when machinery, etc., is introduced and the land once more boasts a (relative) SURPLUS POPULATION. (Vide England.) Surplus value can be increased, without the extension of labour time or the development of the productive power of labour, by forcing wages below their traditional level. And indeed this is the case wherever agricultural production is carried on by capitalist methods. Where it cannot be achieved by means of machinery, it is done by turning the land over to sheep grazing. Here then we already have a *potential basis* of [X-446] rent since, *in fact*, the agricultural labourer's wage does not=the average wage. This rent would be feasible quite independent of the *price* of the product, which is=to its value.

Ricardo is also aware of the second type of rent increase, which arises from a greater product sold at the same price,[a] but he does not take it into account, since he measures rent per qr and not per ACRE. He would not say that rent has risen (and *in this way* rent can rise with falling prices) because 20 qrs [at] 2s. is more than 10 [quarters at] 2s. or 10 qrs [at] 3s.

Incidentally, however the phenomenon of rent may be ex-

[a] D. Ricardo, *On the Principles of Political Economy...*—*Ed.*

plained, *the significant difference* between agriculture and industry remains, in that in the latter, excess surplus value[a] is created by cheaper production, in the former, by dearer production. If the average price of 1 lb. of yarn=2s. and I can produce it for 1s., then, in order to gain an increased market for it, I will necessarily sell [it] for 1s. 6d. [or] at any rate below 2s. And what is more, this is absolutely necessary, for cheaper production presupposes production on a larger scale. So, compared with before, I am now glutting the market. I must sell *more* than before. Although 1 lb. of yarn costs only 1s. this is only the case if I now produce, say, 10,000 lbs as against my previous 8,000 lbs. The low cost is only achieved because fixed capital is spread over 10,000 lbs. If I were to sell only 8,000 lbs, the wear and tear of the machines alone would raise the price per lb. by $^1/_5$=20%. So I sell at below 2s. in order to be able to sell 10,000 lbs. In doing so, I am still making an excess profit of 6d., i.e., of 50% on the value of my product which is 1s. and already includes the normal profit. In any case, I am hereby forcing down the market price with the result that in general the consumer gets the product more cheaply. But in agriculture I sell at 2s. since, if I had sufficient fertile land, the less fertile would not be cultivated. If the area of fertile land were enlarged, or the fertility [of the] poorer soil so improved that I could satisfy demand, then this game would end. Not only does Ricardo not deny this, but he expressly calls attention to it.

Thus if we admit that the varying fertility of the land accounts not for rent itself, but only for the differences in rent, there remains the law that while in industry, on an average, excess profit arises from the lowering of the price of the product, in agriculture the relative size of rent is determined not only by the relative raising of the price (raising the price of the product of fertile land above its value) but by selling the cheaper product at the cost of the dearer. This is, however, as I have already demonstrated (Proudhon),[b] merely the law of competition, which does not emanate from the "soil" but from "capitalist production" itself.

Furthermore, Ricardo would be right in another respect, except that, in the manner of the economists, he turns a historical phenomenon into an eternal law. This historical phenomenon is the relatively faster development of manufacture (in fact the truly bourgeois branch of industry) as against agriculture. The latter has

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[a] In the manuscript the German term is followed by its English equivalent.— *Ed.*

[b] See K. Marx, *The Poverty of Philosophy* (present edition, Vol. 6, pp. 197-206).— *Ed.*

become more productive but not in the same ratio as industry. Whereas in manufacture productivity has increased tenfold, in agriculture it has, perhaps, doubled. Agriculture has therefore become *relatively* less productive, although absolutely more productive. This only proves the very QUEER development of bourgeois production and its inherent contradictions. It does not, however, invalidate the proposition that agriculture becomes relatively less productive and hence, compared with [the value of] the industrial product, the value of the agricultural product rises and with it also rent. That in the course of development of capitalist production, agricultural labour has become relatively less productive than industrial labour only means that the productivity of agriculture has not developed with the same speed and to the same degree.

Suppose the relation of industry A to industry B is as 1 : 1. Originally agriculture [was] more productive because not only natural forces but also a machine created by nature play a part in agriculture; right from the start, the individual worker is working with a machine. Hence, in ancient times and in the Middle Ages agricultural products were relatively much cheaper than industrial products, which is obvious (see *Wade*[a]) from the ratio of the two within the average wage.

At the same time let 1 : 1 indicate the fertility of the two [branches of production]. Now if industry A=10, [i.e.] its fertility increases tenfold while industry B merely increases threefold,=3, then whereas the industries were previously as 1 : 1 they are now as 10 : 3 or as 1 : $^{3}/_{10}$. The fertility of industry B has decreased relatively by $^{7}/_{10}$ although absolutely it has increased threefold. For the highest rent [it is] the same—relatively to industry—as if it had risen because the poorest land had become $^{7}/_{10}$ less fertile.

Now it does not by any means follow, as Ricardo supposes,[b] that the rate of profit has fallen because wages have risen as a result of the relative increase in the price of agricultural products [X-447]. For the average wage is not determined by the relative but by the absolute value of the products which enter into it. It does however follow that the rate of profit (really the rate of surplus value) has not risen in the same ratio as the productive power of manufacturing industry, and this is due to agriculture (not the land) being relatively less productive. This is absolutely certain. The reduction in the necessary labour time seems small compared with the progress in industry. This is evident from the fact that

[a] [J. Wade,] *History of the Middle and Working Classes...*, London, 1833, p. 25.—*Ed.*

[b] See D. Ricardo, *On the Principles of Political Economy...*, pp. 111-12.—*Ed.*

the agricultural products of countries like Russia, etc., can beat those of England. The lower value of money in the wealthier countries (i.e., the low relative production costs of money in the wealthier countries) does not enter into it at all. For the question is, why it does not affect their industrial products in competition with poorer countries when it does affect their agricultural products. (Incidentally, this does not prove that poor countries produce more cheaply, that their agricultural labour is more productive. Even in the UNITED STATES, the volume of corn at a given price has increased, as has recently been proved by statistical information, not however because the yield per ACRE has risen, but because more ACRES have come under cultivation. It cannot be said that the land is more productive where there is a great land mass and where large areas, superficially cultivated, yield a greater absolute product with the same amount of labour than much smaller areas in the more advanced country.)

The fact that *less productive* land is brought under cultivation does not necessarily prove that agriculture has become less productive. On the contrary, it may prove that it has become more productive; that the inferior land is being cultivated, not [only] because the price of the agricultural product has sufficiently risen to compensate for the capital investment, but also the converse, that the means of production have developed to such an extent that the unproductive land has become "productive" and capable of yielding not only the normal profit but also rent. Land which is fertile at a [given] stage of development of productive power may be unfertile for a lower developmental stage.

In agriculture, the absolute extension of labour time—i.e., the augmentation of absolute surplus value—is only possible to a limited degree. One cannot work by gaslight on the land, etc. True, one can rise early in spring and summer. But this is offset by the shorter winter days when, in any case, only a relatively small amount of work can be accomplished. So in this respect *absolute surplus value* is *greater in industry* so long as the normal working day is not regulated by force of law. A second reason for a smaller amount of *surplus value* being created in agriculture is the long period during which the product remains in the process of production without any labour being expended on it. With the exception of certain branches of agriculture such as stock raising, sheep farming, etc., where the population is positively ousted from the land, the number of people employed relatively to the constant capital used, is still far greater—even in the most advanced large-scale agriculture—than in industry, or at least in the dominating branches of industry. Hence in this respect even if, for the above-mentioned reasons, the mass of surplus value is relatively smaller than it [would be] with the employment of *the same* number of people in industry—this latter condition is partly offset again by the wage falling below its average level—the rate of profit can be greater than in industry. But if there are, in agriculture, any causes (we only indicate the above) which raise the rate of profit (not temporarily but on an average as compared with industry) then the mere existence of the LANDLORD would cause this extra profit to consolidate itself and accrue to the LANDLORD rather than enter into the formation of the general rate of profit.

In general terms the question to be answered with regard to Rodbertus is as follows:

The general form of capital advanced is:

Constant capital	Variable capital
Machinery—Raw materials[100]	*Labour power*[a]

In general the two elements of constant capital are the instruments of labour and the object of labour. The latter is not necessarily a commodity, a product of labour. It may therefore not exist as an *element of capital*, although it is invariably an *element in the labour process*. Soil is the husbandman's raw material, the mine that of the miner, the water that of the fisherman and even the forest is that of the hunter. In the most complete form of capital, however, these 3 elements of the labour process also exist as 3 elements of capital, i.e., they are all commodities, use values which have an exchange value and are products of labour. In this case all 3 elements enter into the valorisation process, although machinery [enters into it] not to the extent to which it enters into the labour process but only in so far as it is consumed.

The following question now arises: Can the absence of one of these elements in a particular branch of industry enhance the *rate of profit* (not the rate of surplus value) in that industry? In general terms, the formula itself provides the answer:

The rate of profit equals the ratio of surplus value to the total capital advanced.

Throughout this investigation it is assumed that the *rate of surplus value*, i.e., the division of the value of the product between the capitalist and the wage worker, remains constant.

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[a] In the manuscript "wages"; changed to "labour power" presumably by Engels.—*Ed.*

[X-448] The rate of surplus value$=\frac{S}{V}$; the rate of profit $=\frac{S}{C+V}$. Since S', the rate of surplus value, is given, V is given and $\frac{S}{V}$ is assumed to be a constant magnitude. Therefore the magnitude of $\frac{S}{C+V}$ can only alter when $C+V$ changes and since V is given, this can only increase or decrease because C decreases or increases. And further, $\frac{S}{C+V}$ will increase or decrease not in the ratio of $C:V$ but according to C's relation to the sum of $C+V$. If $C=0$, then $\frac{S}{C+V}=\frac{S}{V}$. The rate of profit [would] in this case equal the rate of surplus value and this is its highest possible amount, since no sort of *calculation* can alter the magnitude of S and V. Suppose $V=100$ and $S=50$, then $\frac{S}{V}=\frac{50}{100}=\frac{1}{2}=50\%$. If a constant capital of 100 were added, then the rate of profit$=\frac{50}{100+100}=\frac{50}{200}=\frac{1}{4}=25\%$. The rate of profit would have decreased by half. If 150 were added to 100 then the rate of profit$=\frac{50}{150+100}=\frac{50}{250}=\frac{1}{5}=20\%$. In the first instance, total capital$=V$=variable capital, hence the rate of profit=the rate of surplus value. In the second instance, total capital$=2\times V$, hence the rate of profit is only half the rate of surplus value. In the third instance, total capital$=2\,{}^{1}/_{2}\times 100=2\,{}^{1}/_{2}\times V={}^{5}/_{2}\times V$; V is now only ${}^{2}/_{5}$ of total capital. The rate of surplus value$={}^{1}/_{2}$ of V, i.e., ${}^{1}/_{2}$ of 100, hence is only ${}^{1}/_{2}$ of ${}^{2}/_{5}$ of total capital$={}^{2}/_{10}$ of total capital. ${}^{250}/_{10}=25$ and ${}^{2}/_{10}$ of $250=50$. But ${}^{2}/_{10}=20\%$.

Hence to start with this much has been established. Provided V remains constant and $\frac{S}{V}$ too, then it is of no consequence how C is composed. If C has a certain magnitude, say 100, then it makes no difference whether it consists of 50 raw material and 50 machinery or 10 raw material and 90 machinery, or 0 raw material and 100 machinery or the other way about. For the rate of profit is determined by the relationship $\frac{S}{C+V}$; how the elements of production of which C consists relate, as value components, to C as a whole is irrelevant here. For instance, in the production of coal the raw materials (after deducting coal itself which again serves as *matière instrumentale*) may be reckoned as nought and the entire constant capital can be assumed to consist of machinery (including buildings and instruments of labour). On the other hand, with a tailor, machinery can be considered as nought and here the whole of constant capital resolves into raw materials (particularly where tailors running a large business do not as yet use sewing-machines and, on the other hand, even save buildings, as sometimes occurs nowadays in London, by employing their workers as OUTDOOR LABOURERS. This is *a new phenomenon*, where the 2nd *division of labour* reappears *in the form* of the first[101]). If the colliery owner employs 1,000 units of machinery and 1,000 units of wage labour and the tailor 1,000 of raw materials and 1,000 of wage labour, then with an equal rate of surplus value, the rate of profit in both instances is the same. If [we] assume that surplus value is 20%, then the rate of profit would in both cases be 10%, namely: $^{200}/_{2,000}={}^{2}/_{20}={}^{1}/_{10}=10\%$. Hence there are only two instances in which the ratio between the component parts of *C*, i.e., raw materials and machinery, can affect the rate of profit: 1) If a change in this ratio modifies the absolute magnitude of *C*. 2) If the ratio between the component parts of *C* modifies the size of *V*. This would imply organic CHANGES in production itself and not merely the tautologous statement that if a particular part of *C* accounts for a smaller portion, then the other must make up a larger portion of the total amount.

In the REAL BILL of an ENGLISH FARMER, *WAGES* amount to £1,690, *MANURE* to £686, *SEED* to £150, *fodder FOR COWS* to £100. Thus "raw material" comes to £936, which is more than half the amount spent on WAGES. (See F. W. Newman, *Lectures on Political Economy*, London, 1851, p. 166.)

*"In *Flanders*"* (in the *Belgian* areas) *"*dung* and hay are in these parts imported from Holland"* (for flax-growing, etc. In turn they export flax, *LINSEED*, etc.). "The *refuse in Dutch towns is[a] a matter of trade, and is regularly sold at high prices to Belgium. At about 20 miles from Antwerp, up the Schelde, the reservoirs may be seen for the manure that is brought from Holland. The trade is managed by a company of capitalists on[b] Dutch boats" etc.* (*Banfield* [The Organisation of Industry..., 2nd ed., London, 1848, pp. 40 and 42]).

And so even manure, plain muck, has become merchandise, not to speak of bone-meal, guano, potash, etc. That the elements of production *are estimated* in terms of money is not merely due to the formal change in production. New materials are introduced

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[a] Newman has "The refuse of the towns has therefore become".—*Ed.*

[b] Newman has "and the" instead of "on".—*Ed.*

into the soil and its old ones are sold for reasons relating to *production*. This is not merely a formal difference between the capitalist and the previous mode of production. The seed trade has risen in importance to the extent to which the importance of seed rotation has become recognised. Hence it would be ridiculous to say that no "raw material"—i.e., raw material as a commodity—enters into agriculture whether it be reproduced by agriculture itself or bought as a commodity, acquired from outside. It would be equally absurd to say that the machine employed by the engineer [X-449] who constructs machines does not figure as an element of value in his capital.

A German peasant who year after year produces his own elements of production, seeds, manure, etc., and, with his family, consumes part of his crops needs to spend money (as far as production itself is concerned) only on the purchase of a few tools for cultivating the land, and on wages. Let us assume that the value of all his expenses=100. He consumes half *in natura* (production costs). The other half he sells and he receives, say, 100. His gross income thus=100 and if he relates this to his capital of 50 then it amounts to 100%. If $^1/_3$ of the 50 is deducted for rent and $^1/_3$ for taxes ($33\,^1/_3$ in all) then he retains $16\,^2/_3$, calculated on 50 this is $33\,^1/_3$%. But in fact he has only received $16\,^2/_3$%.[102] The peasant has merely miscalculated and has cheated himself. The capitalist FARMER does not make such errors.

Mathieu de Dombasle says in his *Annales agricoles etc.*, Paris, 1829 (4th instalment, 1828) that under the *métairie* contract (in [the province of] Berry, for example),

"the landowner supplies the land, the buildings and usually all or part of the livestock and the tools required for cultivation; the tenant for his part supplies his labour and nothing, or almost nothing else. The products of the land are shared in equal parts" ([p.] 301). "The tenants are as a rule submerged in dire poverty" ([p.] 302). "If the métayer, having laid out 1,000 francs, increases his gross product by 1,500 francs" (i.e., a gross gain of 500 francs) "he must pass half of it on to the landowner, retaining merely 750, and so loses 250 francs of his expenses" ([p.] 304).[a] "Under the previous system of cultivation the expenses or costs of production were almost exclusively drawn in kind, from the products themselves, for the consumption of the animals and of the cultivator of the land and his family; hardly any cash was paid out. Only these particular circumstances could give rise to the belief that landowner and tenant could divide amongst themselves the whole of the harvest which had not been consumed during production. But this process is only applicable to this type of agriculture, namely, *low-level agriculture*. But when it is desired to raise that level, it is realised that this is only possible by making certain advances which have to be deducted from the gross product in order to be able to utilise them again in the following year. Hence this kind of division of the gross

[a] Marx quotes Mathieu de Dombasle partly in French, partly in German.—*Ed.*

product between the landowner and the tenant becomes an insurmountable obstacle to any sort of improvement" (l.c., [p.] 307).

Mr. Rodbertus seems to think that competition brings about a normal profit, or average profit or general rate of profit by reducing the commodities to their *real value*; i.e., that it regulates their price relationships in such a manner that the correlative quantities of labour time realised in the various commodities are expressed in money or whatever else happens to be the measure of value.[a] This is of course not brought about by the price of a commodity at any given moment being equal to its value nor does it have to be equal to its value. For example the price of commodity A rises above its value and for a time remains, moreover, at this high level, or even continues to rise. The profit of [the capitalist who produces] A thus rises above the average profit in that he appropriates not only his own "unpaid" labour time, but also a part of the unpaid labour time which other capitalists have "produced". This has to be compensated by a fall in profit in one or other sphere of production provided the price of the other commodities in terms of money remains constant. If the commodity is a means of subsistence generally consumed by the worker, then it will depress the rate of profit in all other branches; if it enters as a constituent part into the constant capital, then it will force down the rate of profit in all those spheres of production where it forms an element in constant capital.

Finally, the commodity may neither be an element in any constant capital, nor form a *necessary* item in the workers' means of subsistence (for those commodities which the worker can choose to buy or abstain from buying, he consumes as a consumer in general and not as a worker) but it may be one of the consumer goods, an article for individual consumption in general. If, as such, it is consumed by the industrial capitalist himself, then the rise in its price in no way affects the amount of surplus value or the rate of surplus value. Now if the capitalist wanted to maintain his previous STANDARD OF CONSUMPTION, then that part of profit (surplus value) which he uses for individual consumption would rise in relation to that which he sinks into industrial reproduction. The latter would decrease. As a result of the price rise, or the rise in profit above its average rate, in A, the volume of profit in B, C, etc. would diminish within a certain space of time (which is also determined by reproduction). If article A was exclusively con-

[a] [J. K.] Rodbertus, *Sociale Briefe an von Kirchmann*. Dritter Brief, Berlin, 1851, p. 92.—*Ed.*

sumed by non-industrial capitalists, then they would consume more than before of commodity A as compared with commodities B, C, etc. The demand for commodities B, C, etc. would fall; their price would fall and, in this CASE, the price rise in A, or the rise in profit in A above the average rate, would have brought about a fall in the profit in B, C, etc. below the average rate by forcing down the money prices of B, C, etc. (in contrast to the previous instances where the money price of B, C, etc. [X-450] remained constant). Capitals would migrate from B, C, etc., where the rate of profit has sunk below the [average] level, to A's sphere of production. This would apply particularly to a portion of the capital which constantly appears on the market afresh and which would naturally tend to penetrate into the more profitable sphere A. Consequently, after some time, the price of article A would fall below its value and would continue to do so for a longer or shorter period, until the reverse movement set in again. The opposite process would take place in the spheres B, C, etc., partly as a result of the reduced supplies of articles B, C, etc., because of the exodus of capital, i.e., because of the organic CHANGES taking place in these spheres of production themselves, and partly as a result of the changes which have occurred in A and which in turn are affecting B, C, etc. in the opposite direction.

Incidentally, it may well be that in this process—assuming the value of money to be constant—the money prices of B, C, etc., never regain their original level, although they may rise above the value of commodities B, C, etc. and hence the rate of profit in B, C, etc. may also rise above the general rate of profit. Improvements, inventions, greater economy in the means of production, etc. are introduced not at times when prices rise above their average level, but when they fall below it, i.e., when profit falls below its normal rate. Hence during the period of falling prices of B, C, etc., their *real value* may fall, in other words the minimum labour time required for the production of these commodities may decrease. In this case, the commodity can only regain its former money price if the rise in its price over its value=the MARGIN, i.e., the difference between the price which expresses its new value and the price which expressed its higher former value. Here the *price* of the commodity would have changed the value of the commodity by affecting supply, and the production costs.

The result of the above-mentioned movement: If we take the average of the increases and decreases in the price of the commodity above or below its value, or the period of equalisation of rises and falls—periods which are constantly repeated—then the *average price*[103] is equal to the *value*. The average profit in a particular sphere therefore also=the general rate of profit; for although, in this sphere, profit rose above or fell below its old rate with the rise or fall in prices—or with the increase or decrease in production costs while the price remained constant—on an average, over the period, the commodity was sold at its *value*. *Hence* the profit yielded=the general rate of profit. This is Adam Smith's conception and, even more so, *Ricardo's*, since the latter adheres more firmly to the real concept of value. Mr. Rodbertus acquires it from them. And yet this conception is wrong.

What is the effect of the competition between capitals? The *average price* of the commodities during a period of equalisation is such that these prices yield the same rate of profit to the producers of commodities in every sphere, for instance, 10%. What else does this mean? That the price of each commodity stands at $^1/_{10}$ above the price of the production costs, which the capitalist has incurred, i.e., the amount he has spent in order to produce the commodity. In general terms this just means that capitals of equal size yield equal profits, that the price of each commodity is one-tenth higher than the price of the capital advanced, consumed or represented in the commodity. It is however quite incorrect to say that capitals in the various spheres of production produce the same surplus value in relation to their size, even if we assume that the absolute working day is equally long in all spheres, i.e., if we assume a set rate of surplus value. //We leave aside here the possibility of one capitalist enforcing longer working hours than another, and we assume a fixed *absolute* working day for all spheres. The variation between different days is partly offset in the absolute working days by the varying intensity of labour, etc., and partly these differences only signify arbitrary excess profits, exceptional cases, etc.//

Bearing in mind the above assumption, the amount of surplus value produced by capitals of *equal size* varies *firstly* according to the correlation of their organic components, i.e., of variable and constant capital; *secondly* according to their period of circulation in so far as this is determined by the ratio of fixed capital to circulating capital and also [by] the various periods of reproduction of the different sorts of fixed capital; *thirdly* according to the duration of the actual period of production as distinct from the duration of labour time itself,[104] which again may lead to substantial differences between the length of the production period and circulation period. (The first of these correlations, namely, that between constant and variable capital, can itself spring from a great divergency of causes; it may, for example, be purely formal so that the raw material worked up in one sphere is dearer than that worked up in another, or it may result from the varying productivity of labour, etc.)

Thus, if the commodities were sold at their values or if the *average prices* of the commodities were equal to their values, then the rate of profit in the various spheres would have to vary a great deal. In one case it would be 50, in others 40, 30, 20, 10, etc. Taking the total volume of commodities for a year in sphere A, for instance, their value would be equal to the capital advanced in them+the unpaid labour they contain. Ditto in spheres B and C. But since A, B and C contain different amounts of unpaid labour, for instance, A more than B and B more than C, the commodities A might perhaps yield $3S$ (S=surplus value) to their producers, B=$2S$ and C=S. Since the rate of profit is determined by the ratio of surplus value to capital advanced, and as on our assumption this is the same in A, B, C, etc., then [X-451] if C is the capital advanced, the various rates of profit will be $\frac{3S}{C}, \frac{2S}{C}, \frac{S}{C}$. Competition of capitals can therefore only equalise the rates of profit, for instance in our example, by making the rates of profit equal to $\frac{2S}{C}, \frac{2S}{C}, \frac{2S}{C}$ in the spheres A, B, C. A would sell his commodity at $1S$ less and C at $1S$ more than its value. The average price in sphere A would be below, and in sphere C would be above, the value of the commodities A and C.

As the example of B shows, it *can* in fact happen that the average price and the value of a commodity coincide. This occurs when the surplus value created in sphere B itself equals the average profit; in other words, when the relationship of the various components of the capital in sphere B is the same as that which exists when the sum total of capitals, the capital of the capitalist class, is regarded as a single *magnitude* on which the whole of surplus value [is] calculated, irrespective of the particular sphere of the total capital within which it has been created. In this total capital the periods of turnover, etc. are equalised; one can, for instance, consider that the whole of this capital is turned over during one year. In that case every section of the *total capital* would in accordance with its magnitude participate in the total surplus value and draw a corresponding part of it. And since every individual capital is to be regarded as SHAREHOLDER in this total capital, it would be correct to say *first* that its *rate of profit* is the same as that of all the others, capitals of the same size yield the same amount of profit; *secondly*, and this arises automatically from the first point, that the volume of profit depends on the size of the capital, on the number of SHARES IN THAT GENERAL CAPITAL WHICH ARE OWNED BY THE CAPITALIST. Competition among capitals thus seeks to treat every capital as a share of the total capital and correspondingly to regulate its participation in surplus value and hence also in profit. Competition *plus ou moins*[a] succeeds in this by means of its equalisations (we shall not examine here the reason why it encounters particular obstacles in certain spheres). But in plain language this just means that the capitalists strive (and this striving is competition) to divide among themselves the quantity of unpaid labour—or the products of this quantity of labour—which they squeeze out of the working class, not according to the surplus labour produced directly by a *particular* capital, but corresponding *firstly* to the relative portion of the total capital which a particular capital represents and *secondly* according to the amount of surplus labour produced by the aggregate capital. The capitalists, like hostile brothers, divide among themselves the loot of other people's labour which they have appropriated so that on an average one receives the same amount of unpaid labour as another.[105]

Competition achieves this equalisation by regulating average prices. These average prices themselves, however, are either above or below the value of the commodity so that no commodity yields a higher rate of profit than any other. It is therefore wrong to say that competition among capitals brings about a general rate of profit by equalising the prices of commodities to their values. On the contrary it does so by converting the values of the commodities into average prices, in which a part of surplus value is transferred from one commodity to another, etc. The *value* of a commodity=the quantity of paid+unpaid labour *contained* in it. The *average price* of a commodity=the quantity of paid labour it *contains* (objectified or living)+an average quota of unpaid labour. The latter does not depend on *whether this amount* was contained in the commodity itself or on whether more or less of it was embodied in the value of the commodity.

It is possible—I leave this over for a later inquiry which does not belong to the subject-matter of this book—that certain spheres of production function under circumstances which work against a reduction in their values to average prices in the above sense, and do not permit competition to achieve this victory.[106] If this were

[a] More or less.—*Ed.*

the case for instance with agricultural rent or rent from mines (there are rents which are altogether only explicable by monopoly conditions, for instance the water rent in Lombardy, and in parts of Asia, also house rent in so far as it represents rent from landed property) then it would follow that while the product of all industrial capitals is raised or lowered to the average price, the product of agriculture [would] equal its value, which would be above the average price. Might there be obstacles here, which cause more of the *surplus value created* in this sphere of production to be appropriated as property of the sphere itself, than should be the case according to the laws of competition, more than it should receive according to the quota of capital invested in this branch of industry?

Supposing industrial capitals which are producing 10 or 20 or 30% more surplus value [X-452] than industrial capitals of equal size in other spheres of production, not just temporarily, but because of the very nature of *their* spheres of production as opposed to others; supposing I say, they were able to hang on to this excess surplus value in the face of competition and to prevent it from being included in the general accounts (distribution) which determine the GENERAL RATE OF PROFIT, then, in this case, one could distinguish between 2 recipients in the spheres of production of these capitals, THE ONE WHO WOULD GET THE GENERAL RATE OF PROFIT, AND THE OTHER WHO WOULD GET THE SURPLUS EXCLUSIVELY INHERENT in THIS SPHERE. Every capitalist could pay, hand over, this excess to the privileged one, in order to invest his capital here, and he would retain for himself THE GENERAL RATE OF PROFIT, LIKE EVERY OTHER CAPITALIST, DEPENDENT UPON THE SAME CHANCES. If this were the case in agriculture, etc., then the splitting of *surplus value* into *profit* and *rent* would by no means indicate that labour as such is actually "more productive" (OF SURPLUS VALUE) here than in manufacture. Hence [it would not be necessary] to ascribe any magic powers to the soil; this, moreover, is in any case absurd, since value=labour, therefore surplus=value [and] cannot possibly=soil (although relative surplus value may be due to the natural fertility of the soil, but under no circumstances could this result in a *higher price* for the products of the soil. Rather the opposite). Nor would it be necessary to have recourse to Ricardo's theory, which is disagreeably linked with the Malthusian trash, has repulsive consequences and, though in theory it is not especially opposed to my views on relative surplus value, it deprives them of much of their practical significance.

Ricardo's point is this[a]:

[a] See D. Ricardo, *On the Principles of Political Economy...*, p. 59.—*Ed.*

Rent (for instance, in agriculture) can be nothing other than an *excédent*[a] above GENERAL PROFIT where—as he presupposes—agriculture is run on capitalist lines, where [there] is [a] *FARMER*. Whether that which the LANDLORD receives is actually equal to this rent in the bourgeois-economic sense is quite irrelevant. It may be purely a deduction from wages (*vide* Ireland) or it may be partly derived from the reduction of the farmer's profit below the average level of profits. Which of these possible factors happens to be operative is of no consequence whatsoever. *Rent*, in the bourgeois system, only exists as a special, characteristic form of surplus value in so far as it is an excess over and above (GENERAL) profit.

But how is this possible? The commodity wheat, like every other commodity, is sold at its *value*, i.e., it is exchanged for other commodities in relation to the labour time embodied in it. //This is the first erroneous assumption which complicates the problem by posing it artificially. Only in exceptional circumstances are commodities exchanged at their value. Their *average prices* are determined in a different way. *Vide supra*.[b]// The farmer who grows wheat makes the same profit as all the other capitalists. This proves that, like all the others, he appropriates that portion of labour time for which he has not paid his workers. Where, on top of this, does the rent come from? It must represent labour time. Why should surplus labour in agriculture resolve into profit and rent while in industry it is just profit? And, how is this possible at all, if the profit in agriculture=the profit in every other sphere of production? //Ricardo's faulty conception of profit and the way in which he confuses it with surplus value have also a detrimental effect here. They make the whole thing more difficult for him.//

Ricardo solves this *difficulty* by assuming that *IN PRINCIPLE* it is non-existent. //This indeed is in principle the *only possibility* of overcoming any difficulty. But there are two ways of doing this. Either one shows that the contradiction to the PRINCIPLE is an *illusion* which arises from the development of the thing itself, or one *denies* the existence of the difficulty *at one point*, as Ricardo does, and then takes this as a starting-point from which one can proceed to explain its existence at some other stage.//

He assumes a point at which the farmer's capital, like everyone else's, only yields profit. //This capital may be invested in a non-rent paying individual farm, or in a non-rent paying part of

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[a] Excess.—*Ed.*

[b] See above.—*Ed.*

the land of a farm. In fact it can be any capital which is employed in the cultivation of land that does not pay rent.// This, moreover, is the starting-point, and it can also be expressed as follows:

Originally the farmer's capital only pays profit, no rent //although this *pseudo-historical* form is of no consequence and in other "laws" is common to all bourgeois economists//. It is no different from any other industrial capital. Rent only enters into it because the demand for grain rises and now, in contrast to other branches of industry, it becomes necessary to resort to "less" fertile ground. The FARMER (the SUPPOSED original FARMER) suffers, like any other industrial capitalist, in so far as he has to pay his workers more because of the rise in [the price of] food. But he gains because of the rise in price of his commodity above its value, *firstly*, to the extent to which the value of other commodities which enter into his constant capital falls relatively to his commodity and so he buys them more cheaply, and *secondly*, in so far as he owns the surplus value in the form of his dearer commodity. Thus this farmer's profit rises above the average rate of profit, which has, however, fallen. HENCE another capitalist moves onto the less fertile land, No. II, which, with this lower rate of profit, can supply produce at the price of I or perhaps even a little more cheaply. Be that as it may, we now have, once more, [X-453] the normal situation on II, that surplus value merely resolves itself into profit. But we have explained the rent for I by the existence of a twofold price of production: the production price of II is simultaneously the market price of I. A temporary SURPLUS GAIN has been [achieved], just as with the factory-made commodity which is produced under more favourable conditions. The price of corn, which in addition to profit comprises rent, in fact consists only of objectified labour, and is equal to its value; it is however equal not to the value embodied in itself, but to the value of II. It is impossible to have two market prices side by side. //While Ricardo introduces farmer [No.] II because of the fall in the rate of profit, Stirling introduces him because wages [have] *fallen* not risen following upon the price of corn. This fall in wages allows II to cultivate [a piece of land] No. II at the old rate of profit, although the soil is less fertile.[a]// Once the existence of rent has been established in this way, the rest follows easily. The *difference between rents* according to varying fertility, etc., of course remains correct. This does not necessarily imply that less and less fertile land has to come under cultivation.

[a] See P. J. Stirling, *The Philosophy of Trade*; *or, Outlines of a Theory of Profits and Prices...*, Edinburgh, London, 1846, pp. 209-10.—*Ed.*

So here we have Ricardo's theory. The higher price of corn, which yields an excess profit to I, does not yield even as much as the earlier rate of profit for II. It is thus clear that product No. II contains more value than product No I, i.e., it is the product of more labour time, it embodies a greater quantity of labour. Therefore more labour time must be supplied to manufacture the same product—say, for instance, a quarter of wheat. And the rise in rent will be relative to this decreasing fertility of the land, or the growth in the quantity of labour which must be employed to produce, say, a quarter of wheat. Of course Ricardo would not talk of a "rise" in rent if there were just an increase in the number of quarters from which rent is paid, but only if the price of the *individual* quarter rose from say 30s. to 60s. True, he does sometimes forget that the absolute volume of rent can grow with a reduced rate of rent, just as the ABSOLUTE AMOUNT OF PROFIT can increase WITH A DECREASING RATE OF PROFIT.

Others seek to by-pass this difficulty (*Carey* for instance) by directly denying its existence. Rent [they say] is only interest on the capital which, at an earlier stage, was incorporated in the land. Therefore, again only A FORM OF PROFIT. Here then the very *existence of rent* is denied and so indeed *explained away*.[a]

Others, for instance *Buchanan*, regard it just as a consequence of monopoly. See also *Hopkins*.[107] With them it is merely a *SURCHARGE* above *the value*.

For Mr. *Opdyke*, a typical Yankee, landed property or rent becomes "*THE LEGALISED REFLEXION OF THE VALUE OF CAPITAL*".[b]

With Ricardo the examination is rendered more difficult by the two false assumptions. //Ricardo it is true was not the inventor of the theory of rent. West and Malthus had put it into print before him. The SOURCE, however, is *Anderson*. But what distinguished Ricardo is the way in which he links rent with his theory of value (although West did not entirely miss the real interconnection either). As his later polemic about rent with Ricardo shows, Malthus himself did not understand the theory he had adopted from Anderson.// If we start from the correct principle that the value of commodities is determined by the labour time necessary for their production (and that value in general is nothing other than realised social labour time) then it follows that the *average price* of commodities is determined by the labour time required for their production. This conclusion would be the right

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[a] See this volume, pp. 367-68, 371, 388-89.—*Ed.*

[b] G. Opdyke, *A Treatise on Political Economy*, New York, 1851, p. 60. See this volume, p. 328, Marx's footnote.—*Ed.*

one if it had been proved that *average price=value*. But I show that just *because* the value of the commodity is determined by *labour time*, the average price of the commodities (except in the *unique* case in which the so-called individual *rate of profit* in a particular sphere of production, i.e., the profit determined by the surplus value yielded in this sphere of production itself, [is] equal to the average rate of profit on total capital) *can never* be equal to their value although this determination of the average price is only derived from the value which is based on labour time.

D'abord,[a] it follows that even commodities whose average price (IF we disregard the value of constant capital) resolves only into wages and profit, in such a way that these stand at their normal rate, i.e., are average wages and average profit, can be sold above or below their own value. The fact that the commodity yields rent on top of profit [X-454] does not prove that the commodity is sold *above* its intrinsic value, any more than the circumstance of the surplus value of a commodity only expressing itself in the category of normal profit proves that the commodity is sold at its value. If a commodity can yield an *average rate of profit or general rate of profit on capital* which is *below* its own rate of profit determined by its real surplus value, then it follows that if on top of this average rate of profit commodities in a *particular sphere of production* yield a second amount of surplus value which carries a separate name, for instance, *rent*, then profit+rent, the sum of profit+rent need not be higher than the *surplus value* contained in the commodity. Since profit can be < than the intrinsic surplus value of the commodity, or the quantity of unpaid labour it embodies, profit+rent need not be > than the intrinsic surplus value of the commodity.

Why this occurs in a *particular* sphere of production as opposed to other spheres has of course still to be explained. But the problem has already been simplified. This commodity differs from the others in the following way: In a number of these other commodities average price is *above* their intrinsic value, but only in order to *raise* their rate of profit to the level of the general rate. In another section of these other commodities the average price stands at a level *below* their intrinsic value, but only to the extent required to *reduce* their rate of profit to concur with the general rate. Finally in a third section of these other commodities, average price=their intrinsic value, but only *because* if sold at their *intrinsic* value they yield the general rate of profit. But the commodity which yields rent differs from all these 3 instances. Whatever the

[a] In the first place.—*Ed.*

circumstances, it is sold at a price which will yield *more than average profit*—as determined by the general rate of profit on capital.

Now the question arises, which, or how many, of these 3 instances can occur. Supposing the *whole of the surplus value the commodity contains is realised* in its price. In that case, it excludes the *3rd instance*, namely, those commodities whose entire surplus value is realised in their average price, because they only yield ordinary profit. We may, therefore, dismiss this one. Similarly, on *this* presupposition, we can exclude the 1st instance, where the surplus value realised in the price of the commodity is *above* its intrinsic surplus value. For it is assumed, that "the surplus value contained in it is realised" in its price. This instance is thus analogous with case 2 of those commodities whose intrinsic surplus value is higher than the surplus value realised in their average price. As with these commodities the profit form of this surplus value—which has been equated by the reduction to the general rate of profit—constitutes in this case profit on the capital invested. The *excess intrinsic surplus value of the commodity over and above* this profit is, *however*, in contrast to *commodity 2*, also realised in these exceptional commodities, but accrues not to the owner of the capital, but to the owner of the land, the NATURAL AGENT, the mine, etc.

Or [what happens if we assume that] the price is forced up to such a degree that it carries more than the *average rate of profit*? This is, for instance, the CASE with actual monopoly prices. *This assumption*—applied to every sphere of production where capital and labour may be FREELY employed [and] whose production, so far as the volume of capital employed is concerned, is subject to the general laws—would not only be a *petitio principii*, but would *directly contradict* the foundations of [economic] science and of capitalist production—the former being merely the theoretical expression of the latter. For such an assumption presupposes the very phenomenon which is to be explained, namely, that in a particular sphere of production, the price of a commodity *must* carry more than the general rate of profit, more than the average profit, and to this end [the commodity] *must be sold above* its value. It presupposes that agricultural products are *excluded* from the general laws of value of commodities and of capitalist production. It, moreover, presupposes this, because the peculiar presence of rent side by side with profit *prima facie* makes it appear so. Hence this is absurd.

So there is nothing left but to assume that special circumstances exist in this particular sphere of production, which influence the situation and cause the prices of the commodities to realise their intrinsic surplus value. This in contrast to [case] 2 of the other commodities, where only as much of their intrinsic surplus value is realised by their prices as is yielded by the general rate of profit, where their average prices fall so far below their surplus value that they only yield the general rate of profit, or in other words their average profit is no greater than that in all other spheres of production of capital.

In this way the problem has already become much simpler. It is no longer a question of explaining how it comes about that the price of a commodity yields rent as well as profit, thus *apparently* evading the general law of value and by raising its price above its *intrinsic surplus value*, carrying *more than the general rate of profit* for a given capital. The question is why, in the process of equalisation of commodities at average prices, this particular commodity does not have to pass on to other commodities so much of its *intrinsic surplus value* that it only yields the *average profit*, but is able to realise a portion of its own surplus value which forms an excess *over and above* average profit; so that it is possible for a FARMER, who invests capital in this sphere of production, to sell the commodity at prices which yield him the ordinary profit and at the same time enable him to pay the excess in surplus value realised *over and above* this profit to a third PERSON, the LANDLORD.

[X-455] Put in this way, the very formulation of the problem carries its own solution.

It is quite simply the *private ownership* of land, mines, water, etc. by certain people, which enables them to snatch, intercept and seize the *excess surplus value over and above profit* (average profit, the rate of profit determined by the general rate of profit) contained in the commodities of these particular spheres of production, these particular fields of capital investment, and so to prevent it from entering into the general process by which the general rate of profit is formed. Moreover, some of this surplus value is actually collected in every industrial enterprise, since rent for the plot of land used (by factory buildings, workhouses, etc.) figures in every instance, for even where the land is available free, no factories are built, except in the more or less populated areas with good means of communication.

Supposing the commodities produced by the poorest cultivated land belonged to category 3, i.e., those commodities whose average price=their value, in other words, the whole of their intrinsic surplus value is realised in their price because only thus do they yield the ordinary profit; in this case the land would pay no rent and landownership would be purely nominal. If a *rent* were paid for the use of the land, then it would only prove that small capitalists, as is partly the case in England (see Newman[a]), are satisfied with making a profit *below* the average. The same applies whenever the rate of rent is higher than the difference between the *intrinsic* surplus value of a commodity and the *average profit*. There is even land whose cultivation at most suffices to pay wages, for, although here the labourer works for himself the whole of his working day, his labour time is longer than the socially *necessary* labour time. It is so unproductive—relative to the generally prevailing productivity in *this* branch of work—that, although the man works for himself for 12 hours, he hardly [produces] as much as a worker under more favourable conditions of production does in 8 hours. This is the same relationship as that of the hand-loom weaver who competes with the POWER-LOOM. Although the product of this hand-loom weaver=12 hours of labour, it was only equal to 8 or less hours of socially *necessary* labour and his product therefore only [had] the value of 8 necessary labour hours. If in such an instance the COTTIER pays a rent then this is purely a deduction from his *necessary* wage and does not represent surplus value, let alone an excess over and above average profit.

Assume that in a country like the UNITED STATES, the number of competing FARMERS is as yet so small and the appropriation of land so much just a matter of form that everyone has the opportunity to invest his capital in land and the cultivation of the soil, without the permission of hitherto-existing owner-cultivators or farmers. In these circumstances it is possible over a considerable period—with the exception of that landed property which by its very situation in populated areas carries a monopoly—that the surplus value which the farmer produces on top of average profit is not realised in the price of his product, but that he may have to share it with his brother capitalists in the same way as this is done with the surplus value of all commodities which would give an excess profit, i.e., raise the rate of profit above the general rate, if their surplus value were realised in their price. In this case the general rate of profit would rise, because wheat, etc., like other manufactured commodities, would be sold *below* its value. This selling *below* its value would not constitute an exception, but rather would prevent wheat from forming an exception to other commodities in the same category.

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[a] F. W. Newman, *Lectures on Political Economy*, p. 155.—*Ed.*

Secondly, assume that in a given country the land is all of a particular quality, so that if the whole of the surplus value from the commodity were realised in its price, it would yield the usual profit on capital. In this case no rent would be paid. The absence of rent would in no way affect the general rate of profit, it would neither raise it nor lower it, just as it is not influenced by the fact that other non-agricultural products are to be found in this category. Since the commodities belong to this category just because their *intrinsic surplus value* equals the *average profit* [they] cannot alter the level of this profit, on the contrary they CONFORM with it and do not influence it at all, although it influences them.

Thirdly, assume that all the land consists of a particular type of soil, but this is so poor that the capital employed in it is so unproductive that its product belongs to that kind of commodity whose surplus value [lies] below average profit. Since wages would rise everywhere as a result of the unproductiveness of agriculture, surplus value could in this case of course only be higher where absolute labour time can be prolonged, where the raw material, such as iron, etc., is not the product of agriculture or, further, where it [is],like cotton, silk,etc., an imported article and a product of more fertile soil. In this case, the price of the [agricultural] commodity would include a surplus value higher than that inherent in it, to enable it to yield the usual profit. The general rate of profit would consequently fall, despite the absence of rent.

Or assume in CASE 2, that the soil is very unproductive. Then surplus value of this agricultural product, by its very equality with average profit,would show that the latter is altogether low since in agriculture perhaps 11 of the 12 working hours are required to produce just the wages, and the surplus value only equals 1 hour or less.

[X-456] These various examples illustrate the following:

In the first case, the *absence or lack of rent* is bound up with, or concurs with, an *increased rate of profit*—as compared with other countries where the phenomenon of rent has developed.

In the second case the lack or absence of rent does not affect the rate of profit at all.

In the third case, compared with other countries where rent exists, it is bound up with and indicative of a *low, a relatively low,* general rate of profit.

It follows from this that the development of a particular rent in itself has absolutely nothing to do with the *productivity of agricultural labour,* since the absence or lack of rent can be associated with a rising, falling or constant rate of profit.

The question here is not: Why is the *excess of surplus value over average profit* held fast in agriculture, etc.? On the contrary, we should rather ask: Why should the opposite take place here?

Surplus value is nothing other than unpaid labour; the average or normal profit is nothing other than the quantity of unpaid labour WHICH EACH CAPITAL OF A GIVEN MAGNITUDE OF VALUE IS SUPPOSED TO REALISE. If we say that average profit is 10% then this means nothing other than that a capital of 100 commands 10 units of unpaid labour; or 100 units of objectified labour command $^1/_{10}$ of their amount in *unpaid* labour. Thus *excess of surplus value over average profit* implies that a commodity (its price or that part of its price which consists of surplus value) contains a quantity of unpaid labour [which is] > than the quantity of unpaid labour that forms average profit, which therefore in the average price of the commodities *forms the excess of their price over the price of their production costs.* In each individual commodity the production costs represent the capital advanced, and the excess over these production costs represents the *unpaid labour* which the advanced capital commands; hence the relationship of this excess in price over the price of production costs shows *the rate* at which a given capital—employed in the production process of commodities—commands unpaid labour, irrespective of whether the unpaid labour contained in the commodity of the *particular* sphere of production is equal to this *rate* or not.

Now what forces the individual capitalist, for instance, to sell his commodity at an average price, which yields him only the average profit and makes him realise less unpaid labour than is in fact worked into his own commodity? This average price is *thrust* upon him; it is by no means the result of his own free will; he would prefer to sell the commodity *above* its value. It is forced upon him by the competition of other capitals. For every capital of the same size could also be rushed into A, the branch of production in which the relationship of unpaid labour to the invested capital, for instance, £100, is greater than in production spheres B, C, etc. whose products by their use value also satisfy a social need just as much as the commodities of production sphere A.

When there are spheres of production in which certain natural conditions of production, such as, for example, arable land, coal seams, iron mines, waterfalls, etc.—without which the production process cannot be carried out, without which commodities cannot be produced in this sphere—are in the hands of others than the proprietors or owners of the objectified labour, the capitalists, then this second type of *proprietor of the conditions of production* will say:

If I let you have this condition of production for your use, then you will make your average profit; you will appropriate the normal quantity of unpaid labour. But your production yields an excess of surplus value, of unpaid labour, above the rate of profit. This excess you will not throw into the common account, as is usual with you capitalists, but I am going to appropriate it myself. It belongs to me. This transaction should suit you, because your capital yields you just the same in this sphere of production as in any other and besides, this is a very solid branch of production. Apart from the 10% unpaid labour which constitutes the average profit, your capital will also provide a further 20% of *additional* unpaid labour here. This you will pay over to me and in order to do so, you add 20% unpaid labour to the price of the commodity, and this you simply do not account for with the other capitalists. Just as your ownership of one condition of labour—capital, objectified labour—enables you to appropriate a certain quantity of unpaid labour from the workers, so my ownership of the other condition of production, the land, etc., enables me to intercept and divert away from you and the entire capitalist class, that part of unpaid labour which is excessive to your average profit. Your law will have it that under normal circumstances, capitals of equal size appropriate equal quantities of unpaid labour and you capitalists can force each other [X-457] into this position by competition among yourselves. WELL, I happen to be applying this law to you. You are not to appropriate any more of the unpaid labour of your workers than you could with the same capital in any other sphere of production. But the law has nothing to do with the excess of unpaid labour which you have "produced" over the normal quota. Who is going to prevent me from appropriating this "excess"? Why should I act according to your custom and throw it into the common POT of capital to be shared out among the capitalist class, so that everyone should draw out a part of it in accordance with his SHARE in the aggregate capital? I am not a capitalist. The condition of production which I allow you to utilise is not objectified labour but a natural phenomenon. Can you manufacture land or water or mines or coal pits? *Quod non.*[a] The means of compulsion which can be applied to you in order to make you release again a part of the surplus labour you have managed to get hold of does not exist for me. So out with it! The

[a] Certainly not.—*Ed.*

only thing your brother capitalists can do is to compete against you, not against me. If you pay me less excess profit than the difference between the *surplus time* you have made and the quota of surplus labour due to you according to the RULE of capital, your brother capitalists will appear on the scene and by their competition will force you to pay me FAIRLY THE FULL AMOUNT I AM EMPOWERED TO SQUEEZE FROM YOU.

The following problems should now be set forth: 1) The transition from feudal landownership to a different form, commercial land rent, regulated by capitalist production, or, on the other hand, the conversion of this feudal landed property into free peasant property; 2) How rent comes into existence in countries such as the UNITED STATES, where originally land has not been appropriated and where, at any rate in a formal sense, the bourgeois mode of production prevails from the beginning; 3) The Asiatic forms of landownership still in existence. But all this does not belong here.

According to this theory then, the private ownership of objects of nature such as the land, water, mines, etc., the ownership of these conditions of production, this essential ingredient of production emanating from nature, is not a source from which flows value, since value is only objectified labour time. Neither is it the source from which [excess] surplus value flows, i.e., an excess of unpaid labour over and above the unpaid labour contained in profit. This ownership is, however, a source of revenue. It is a claim, a means, which in the sphere of production that the property enters as a condition of production enables the owner to appropriate that part of the unpaid labour squeezed out by the capitalist which would otherwise be tossed into the capital fund as excess over normal profit. This ownership is a means of obstructing the process which takes place in the rest of the spheres of capitalist production, and of holding on to the surplus value created in this particular sphere, so that it is divided between the capitalist and the landowner in that sphere of production itself. In this way landed property, like capital, constitutes a promissory note to unpaid labour, gratis labour. And just as with capital, the worker's objectified labour appears as a power over him, so with landed property, the circumstance which enables the landowners to take part of the unpaid labour away from the capitalists, makes landownership appear as a source of value.

This then explains modern rent, its existence. *With a given capital investment*, the variation in the amount of rent is only to be explained by the varying fertility of the land. The variation in the amount of rent, *given equal fertility*, can only be explained by the varying amount of capital invested. In the first case, rent rises because its rate increases in proportion to the capital employed (also according to the area of the land). In the second case, it rises because with the same or even with a different rate (if the 2nd dose of capital is not equally productive) the amount of rent increases.

For this theory it is immaterial whether the least fertile land yields a rent or not. Further, it is by no means necessary for the fertility of agriculture to decline, although the diversity in productivity, if not artificially overcome (which is possible), is much greater than in similar spheres of industrial production. When we speak of greater or lesser fertility, we are still concerned with *the same* product. The relationship of the various products, one to another, is another question.

Rent as calculated on the land itself is the RENTAL, the AMOUNT OF RENT. It can rise without an increase in the rate of rent. If the value of money remains unchanged, then the relative value of agricultural products can rise, not because agriculture is becoming less productive, but because, although its productivity is rising, it is rising slower than in industry. On the other hand, a rise in the money price of agricultural products, while the value of money remains the same, is only possible if their value rises, i.e., if agriculture becomes less productive (provided it is not caused by temporary PRESSURE OF DEMAND UPON SUPPLY as with other commodities).

In the cotton industry, the price of the raw material fell continuously with the development of the industry itself; the same applies to iron, etc., coal, etc. The growth of rent here was possible, not because its rate rose, but only because more capital was employed.

Ricardo is of the following opinion: The powers of nature, such as air, light, electricity, steam, water are gratis; the land is not, because it is limited. So already for this reason alone, agriculture is less productive than other industries. If the land were just as COMMON, UNAPPROPRIATED, available in any quantities, as the other elements and powers of nature, then it would be much more productive.[a]

[X-458] *D'abord*, if the land were so easily available, at everyone's free disposal, then a principal element *for the formation of capital* would be missing. A most important condition of production and—apart from man himself and his labour—the only original

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[a] See D. Ricardo, *On the Principles of Political Economy...*, p. 56.—*Ed.*

condition of production could not be disposed of, could not be appropriated. It could not thus confront the worker as someone else's property and make him into a wage labourer. The productivity of labour in Ricardo's sense, i.e., in the capitalist sense, the "producing" of someone else's unpaid labour would thus become impossible. And this would put an end to capitalist production altogether.

So far as the powers of nature indicated by Ricardo are concerned, it is true that these are partly to be had for nothing and do not cost the capitalist anything. Coal costs him something, but steam costs him nothing so long as he gets water gratis. But now, for example, let us take steam. The properties of steam always existed. Its industrial usefulness is a new scientific discovery which the capitalist has appropriated. As a consequence of this scientific discovery, the productivity of labour and with it relative surplus value rose. In other words, the quantity of unpaid labour which the capitalist appropriated from a day's labour grew with the aid of steam. The difference between the productive power of steam and that of the soil is thus only that the one yields unpaid labour to the capitalist and the other to the landowner, who does not take it away from the worker, but from the capitalist. The capitalist is therefore so enthusiastic about this element "belonging to no one".

Only this much is correct:

Assuming the capitalist mode of production, the capitalist is not only a necessary functionary, but the dominating functionary in production. The landowner, on the other hand, is quite superfluous in this mode of production. Its only requirement is that land should *not* be COMMON PROPERTY, that it should confront the working class as a condition of production, *not belonging* to it, and the purpose is completely fulfilled if it becomes State property, i.e., if the State draws the rent. The landowner, such an important functionary in production in the ancient world and in the Middle Ages, is A USELESS SUPERFETATION in the industrial world. The radical bourgeois[108] (WITH AN EYE BESIDES TO THE SUPPRESSION OF ALL OTHER TAXES) therefore goes forward theoretically to a refutation of the private ownership of the land, which, in the form of State property, he would like to turn into the COMMON PROPERTY of the bourgeois class, of capital. But in practice he lacks the courage, since an attack on one form of property—a form of the private ownership of a condition of labour—might cast considerable doubts on the other form. Besides, the bourgeois has himself become an owner of land.

Now to Mr. Rodbertus.

According to Rodbertus, no raw material enters into agricultural calculations, because, so Rodbertus assures us, the German peasant does not reckon that seeds, feeding stuffs, etc. cost him anything. He does not count these as production costs; in fact he *mis*calculates. In England, where the FARMER has been doing his accounts correctly for more than 150 years, there should accordingly be *no* ground rent. The conclusion therefore should not be the one drawn by Rodbertus, that the farmer pays a rent because his rate of profit is higher than in manufacture, but that he pays it because, as a result of a miscalculation, he is satisfied with a *lower* rate of profit. Dr. Quesnay, himself the son of a tenant farmer and closely [acquainted] with French farming, would not have received this idea kindly. Quesnay includes the "raw material" which the tenant farmer needs, as one of the items in the annual outlay of 1,000 million, although the farmer reproduces it *in natura*.[a]

Although hardly any fixed capital or machinery is to be found in one section of manufacture, in another section—the entire transport industry, the industry which produces change of location, [using] wagons, railways, ships, etc.—there is no raw material but only tools of production. Do such branches of industry yield a rent apart from profit? How does this branch of industry differ from, say, the mining industry? In both of them only machinery and *matière instrumentale* are used, such as coal for steamships and locomotives and mines, fodder for horses, etc. Why should the rate of profit be calculated differently in one sector than in the other? [Supposing] the advances to production which the peasant makes *in natura*$=^1/_5$ of the total capital he advances, to which we would then have to add $^4/_5$ in advances for the purchase of machinery and wages, the expenditure amounting to 150 qrs. If he then makes 10% profit [this would be] equal to 15 qrs, i.e., the gross product would be 165 qrs. If he now deducted $^1/_5$=30 qrs and calculated the 15 qrs only on 120, then he would have made a profit of $12\,^1/_2$ [%].

Alternatively, we could put it in this way: The value of his product, or his product=165 qrs (=£330). He reckons his advances to be 120 qrs (£240), 10% on this=12 qrs (£24). But his gross product=165 qrs; from which thus 132 qrs are to be deducted, which leaves 33 qrs. But from these, 30 qrs are

[a] [F.] Quesnay, *Analyse du tableau économique*. In: *Physiocrates...*, Part I, Paris, 1846, p. 58 et seq.—*Ed.*

deducted *in natura.* This leaves an EXTRA PROFIT of 3 qrs (=£6). His total profit=15 qrs (£30) instead of 12 qrs (£24). So he can pay a rent of 3 qrs or £6 and *fancy* that he has made a profit of 10% like every other capitalist. But this 10% exists only in his imagination. IN FACT, he has made advances of 150 qrs, not of 120 qrs and on these, 10% amounts to 15 qrs or £30. IN FACT he received 3 qrs too few, $^1/_4$ of the 12 qrs which he actually received [X-459], or $^1/_5$ of the total profit which he should have received, because he did not consider $^1/_5$ of his advances to be advances. Therefore, as soon as he learnt to calculate according to capitalist methods, he would cease to pay rent, which would merely amount to the difference between *his* rate of profit and the normal rate of profit.

In other words, the product of unpaid labour embodied in the 165 qrs=15 qrs=£30=30 labour weeks. Now if these 30 labour weeks or 15 qrs or £30 were calculated on the total advances of 150 qrs, then they would only form 10%; if they were calculated only on 120 qrs, then they would represent a higher percentage, because 10% on 120 qrs would be 12 qrs and 15 qrs are not 10% of 120 qrs but 12$^1/_2$%. In other words: Since the peasant did not include some of his advances in the account as a capitalist would have done, he calculates the surplus labour he has saved on too small a portion of his advances. Hence it represents a higher rate of profit than in other branches of industry and can therefore yield a rent which is based solely on a miscalculation. The game would be over if the peasant realised that it is by no means necessary first to convert his advances into *real money,* i.e., to *sell* them, in order to assess them in money, and hence to regard them as commodities.

Without this mathematical error (which may be committed by a large number of German peasants but never by a capitalist FARMER) Rodbertus' rent would be an impossibility. It only becomes possible *where* raw material enters into production costs, but not where it *does not.* It only becomes feasible where the raw material enters [into production] *without* entering into the accounts. But it is not possible *where* it does not enter [into production], although Mr. Rodbertus wants to derive his explanation of the existence of rent *not* from a *miscalculation,* but from the *absence* of a real ITEM of expenditure.

Take the mining industry or the fisheries. Raw material does not figure in these, except as *matière instrumentale,* which we can omit, since the use of machinery always implies (with very few exceptions) the consumption of *matières instrumentales,* the food of the machine. Assuming that the general rate of profit is 10% and £100 are laid out in machinery and wages; why should the profit on 100 amount to more than 10, because the 100 have not been expended on raw material, machinery and wages, but have been expended on raw material and wages only? If there is to be any sort of difference, this could only arise because in the *various instances,* the ratio of the values of constant capital and variable capital is in fact *different.* This varying ratio would result in varying surplus value, even if the *rate* of surplus value is taken to be constant. And if varying surplus values are related to capitals of *equal size,* they must of course yield unequal profits. But on the other hand the general rate of profit means nothing other than the equalisation of these inequalities, abstraction from the organic components of capital and reduction of surplus value, so that capitals of equal size yield equal profits.

That the amount of surplus value depends on the *size of the capital employed* does not hold good—according to the general laws of surplus value—for capitals in *different* spheres of production, but for *different capitals* in *the same* sphere of production, in which it is assumed that the *organic* component parts of capital are in the same proportion. If one says for example: the volume of profit in *spinning,* for instance, corresponds to the size of the capitals employed (which is also not quite correct, unless one adds that productivity is assumed to be *constant*), this in fact merely means that, given the rate of exploitation of the spinners, the total amount of exploitation depends on the number of exploited spinners. If, on the other hand, one says that the volume of profit in different branches of production corresponds to the size of the capitals employed, then this means that the rate of profit is the same for each capital of a given size, i.e., the volume of profit can only change with the size of this capital. In other words, the rate of profit is independent of the organic relationship of the components of a capital in a particular sphere of production; it is altogether independent of the amount of surplus value which is realised in these particular spheres of production.

Mining production ought to be considered right from the start as belonging to industry and not to agriculture. Why? Because no product of the mine is used, *in natura,* as an element of production; no product of the mine enters in kind, straight from the mine, into the constant capital of the mining industry (the same applies to fishing and hunting, where the outlay consists to a still higher degree of the instruments of labour and wages or labour itself). [X-460] In other words, because every element of production in the mine—even if its raw material originates in the mine—not only alters its form, but becomes a commodity, i.e., it must be *bought*, before it can re-enter mining as an element of production. Coal forms the only exception to this. But it only appears as a means of production at a stage of development when the exploiter of the mine has graduated as a capitalist, who uses double entry book-keeping, in which he not only owes himself his advances, i.e., is a debtor against his own funds, but his own funds are debtors against themselves. Thus just here, where in fact no raw material figures in expenditure, capitalist accounting must prevail from the outset, making the illusion of the peasant impossible.

Now let us take manufacture itself, and in particular that section where all the elements of the labour process are also elements in the valorisation process; i.e., where all the production elements enter into the production of the new commodity as items of expenditure, as use values that have a value, as *commodities*. There is a considerable difference between the manufacturer who produces the first intermediate product and the second and all those that follow in the process towards the finished product. The raw material of the latter type of manufacturers enters the production process not only as a commodity, but is already a commodity of the 2nd degree; it has already taken on a different form from the first commodity, which was a raw product in its natural form, it has already passed through a second phase of the production process. For example, the spinner: His raw material is cotton, itself a raw product (already a commodity too), but the raw product as commodity. The raw material of the weaver however is the yarn produced by the spinner; that of the printer or dyer is the woven fabric, the product of the weaver; and all these products, which reappear as raw materials in further phases of the process are at the same time commodities.[109]

[X-461] We seem to have returned here to the question with which we have already been concerned on two other occasions, once when discussing John Stuart Mill,[a] and again during the general analysis of the relationship between constant capital and revenue.[b 26] The continual recurrence of this question shows that there is still a hitch somewhere. Really this belongs into Ch. III on profit.[29] But it fits in better here.

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[a] See this volume, pp. 55-59.—*Ed.*

[b] Ibid., pp. 59, 114.—*Ed.*

For example:

4,000 lbs cotton =£100;
4,000 lbs yarn=£200;
4,000 YARDS CALICO=£400.

On the basis of this assumption, 1 lb. cotton=6d., 1 lb. yarn=1s., 1 YARD [calico]=2s.

Given a rate of profit of 10%, then

A	in £100, the outlay= *90 10/11*	and the profit=	*9 1/11*
B	in £200, the outlay=181 9/11	and the profit=	18 2/11
C	in £400, the outlay=363 7/11	and the profit=	36 4/11

A=*COTTON* [the product of the] peasant (I); B=*yarn* [the product of the] spinner (II), C=*woven fabric* [the product of the] weaver (III).

Under this assumption it does not matter whether A's 90 10/11 itself includes a profit or not. It will not do so if it constitutes self-replacing constant capital. It is equally irrelevant for B, whether the £100 includes profit or not, and ditto with C in relation to B.

The relationship of B (the COTTON-GROWER) or I, of S (spinner) or II and of weaver or III is as follows:

I)	*Outlay*= 90 10/11		*Profit*= 9 1/11	Total= *100*
II)	*Outlay*=100	(I)+ 81 9/11	*Profit*=18 2/11	*Total*=200
III)	*Outlay*=200	(II)+163 7/11	*Profit*=36 4/11	*Total*=400

The grand total=700.
Profit=9 1/11+18 2/11+36 4/11

Capital advanced in all 3 sections: 90 10/11+181 9/11+363 7/11=636 4/11
Excess of 700 over 636 4/11=63 7/11. But 63 7/11 : 636 4/11=10 : 100.

Continuing to analyse this rubbish, we obtain the following:

I)	*Outlay*= 90 10/11		*Profit*= 9 1/11	*Total*=100
II)	*Outlay*=100	(I)+ 81 9/11	*Profit*=10+ 8 2/11	*Total*=200
III)	*Outlay*=200	(II)+163 7/11	Profit=20+16 4/11	*Total*=400

I does not have to repay any profit, because it is assumed that his constant capital of 90 10/11 does not include any profit, but represents purely constant capital. The entire product of I figures as constant capital in II's outlay. That part of constant capital which=100 yields a profit of 9 1/11 to I. The entire product [of] II=200 enters into III's outlay, and thus yields a profit of 18 2/11. However, this does not in any way alter the fact that I's profit is not one iota larger than II's or III's, because the capital which he has to replace is smaller to the same degree and the profit corresponds to the volume of the capital, irrespective of the composition of the capital.

Now let us assume that III produces everything himself. Then the position *seems* to change, because his outlay now appears as follows:

$90\,^{10}/_{11}$ in the production of COTTON; $181\,^{9}/_{11}$ in the production of yarn and $363\,^{7}/_{11}$ in the production of the woven fabric. He buys all 3 branches of production and must therefore continually employ a definite amount of constant capital in all 3. If we now total this up we get: $90\,^{10}/_{11}+181\,^{9}/_{11}+363\,^{7}/_{11}=636\,^{4}/_{11}$. 10 per cent of this is exactly $63\,^{7}/_{11}$, as above, only that one individual pockets the lot, whereas previously the $63\,^{7}/_{11}$ were shared among I, II and III.

[X-462] How did the wrong impression arise a little while ago?

But first, one other comment.

If from the 400, we deduct the profit of the weaver, which amounts to $36\,^{4}/_{11}$, then we are left with $400-36\,^{4}/_{11}=363\,^{7}/_{11}$, his outlay. This outlay includes 200 paid out for yarn. Of these 200, $18\,^{2}/_{11}$ are the profit of the spinner. If we now deduct these $18\,^{2}/_{11}$ from the outlay of $363\,^{7}/_{11}$, we are left with $345\,^{5}/_{11}$. But the 200 which are returnable to the spinner, also contain $9\,^{1}/_{11}$ profit for the COTTON-GROWER. If we deduct these from the $345\,^{5}/_{11}$, we are left with $336\,^{4}/_{11}$. And if we deduct these $336\,^{4}/_{11}$ from the 400—the total value of the woven fabric—then it becomes evident that it contains a profit of $63\,^{7}/_{11}$.

But a profit of $63\,^{7}/_{11}$ on $336\,^{4}/_{11}$ is=to $18\,^{34}/_{37}\%$.

Previously we calculated these $63\,^{7}/_{11}$ on $636\,^{4}/_{11}$, and obtained a profit of 10%. The excess of the total value of 700 over $636\,^{4}/_{11}$ was in fact $63\,^{7}/_{11}$.

According to this calculation, therefore, $18\,^{34}/_{37}\%$ would be made on 100 of this same capital, whereas according to the previous calculation only 10%.

How does this tally?

Supposing I, II and III are one and the same person, but that this individual does not employ 3 capitals simultaneously, one in COTTON-growing, one in spinning and one in weaving. Rather, as soon as he ceases to grow cotton, he begins to spin it and as soon as he has spun, he finishes with this and begins to weave.

Then his accounting would look like this:

He invests £$90\,^{10}/_{11}$ in COTTON-growing. From this he obtains 4,000 lbs of COTTON. In order to spin these he needs to lay out a further £$81\,^{9}/_{11}$ in machinery, *matière instrumentale* and wages. With this he makes the 4,000 lbs of yarn. Finally he weaves these into 4,000 YARDS which involves him in a further outlay of £163 $^7/_{11}$. If he now adds up his expenditure, the capital which he has advanced=90 $^{10}/_{11}$+81 $^9/_{11}$+163 $^7/_{11}$, i.e., £336 $^4/_{11}$. 10% on this would be 33 $^7/_{11}$, because 336 $^4/_{11}$:33 $^7/_{11}$=100:10. But 336 $^4/_{11}$+33 $^7/_{11}$=£370. He would thus sell the 4,000 YARDS at £370 instead of at £400, i.e., at £30 less, i.e., at 7 $^1/_2$% lower than before. If the value INDEED were 400, he could thus sell at the USUAL PROFIT of 10% and in addition pay a rent of £30, because his rate of profit would not be 33 $^7/_{11}$ but 63 $^7/_{11}$ on his advances of 336 $^4/_{11}$, i.e., 18 $^{34}/_{37}$%, as we saw earlier. And this IN FACT appears to be the manner in which Mr. Rodbertus makes out his calculation of rent.

What does the FALLACY consist of? First of all it is evident that if spinning and weaving are combined, they should yield a rent, just as if spinning is combined with cultivation or if agriculture is carried on independently.

Evidently two different problems are involved here.

Firstly we are calculating the £63 $^7/_{11}$ only on one capital of £336 $^4/_{11}$, whereas we should be calculating it on 3 capitals of a total value of £636 $^4/_{11}$.

Secondly in the last capital, that of III, we are reckoning his outlay to be £336 $^4/_{11}$, instead of £363 $^7/_{11}$.

Let us go into these points separately.

Firstly: If III, II and I are united in one person, and if he spins up the entire product of his cotton harvest, then he does not use any part of this harvest at all to replace his agricultural capital. He does not employ part of his capital in [X-463] COTTON-growing—in expenditure on COTTON-growing, seeds, wages, machinery—and another part in spinning, but he first puts a part of his capital into COTTON-growing, then this part+a second into spinning, and then the whole of these 2 first parts, now existing in the form of yarn+a 3rd part, into weaving. Now when the fabric of 4,000 YARDS has been woven, how is he to replace its elements? While he was weaving he wasn't spinning, and he had no material from which to spin; while he was spinning he did not grow any COTTON. Therefore his elements of production cannot be *replaced*. To help ourselves along, let us say: Well, the fellow sells the 4,000 YARDS and then "buys" yarn and the elements of COTTON out of the £400. Where does this get us? To a position where we are in fact assuming that 3 capitals are simultaneously employed and engaged and laid out in production. But yarn cannot be bought unless it is available and in order to buy COTTON it must be available as well. And so that they are available to replace the woven yarn and the spun COTTON, simultaneously with the capital employed in weaving, capitals must be invested which are turned into COTTON and yarn at the same time as the yarn is turned into woven fabric.

Thus, whether III combines all 3 branches of production or whether 3 producers share them, 3 capitals must be available simultaneously. If he wants to produce on *the same* scale, he cannot carry on spinning and COTTON-growing with the same capital which he used for weaving. Every one of these capitals is engaged and their reciprocal replacement does not affect the problem under discussion. The replacement capitals are the constant capital which must be invested and operating in each of the 3 branches simultaneously. If the £400 contain a profit of $63\,^7/_{11}$, then this is only because besides his own profit of $36\,^4/_{11}$, we allow III to gather in the profit which he has to pay to II and I and which, according to the assumption, is realised in his commodity. But the profit was not made on his £$363\,^7/_{11}$. The peasant made it on his additional £$90\,^{10}/_{11}$ and the spinner on his $181\,^9/_{11}$. When he pockets the whole amount himself, he likewise has not made it on the £$363\,^7/_{11}$ that he invested in weaving, but on this capital+his two other capitals invested in spinning and COTTON-growing.

Secondly: If we reckon III's outlay to be £$336\,^4/_{11}$ instead of $363\,^7/_{11}$, then this arises from the following:

We take his outlay on COTTON-growing to be only $90\,^{10}/_{11}$ instead of 100. But he needs the whole product and this=100 and not $90\,^{10}/_{11}$. It contains the profit of $9\,^1/_{11}$. Or else he would be employing a capital of $90\,^{10}/_{11}$ which would bring him *no profit*. His COTTON-growing would yield him no profit but would just replace his expenditure of $90\,^{10}/_{11}$. In the same way, spinning would not bring him any profit, but the whole of the product would only replace his outlay.

In this case, his expenditure would indeed be reduced to $90\,^{10}/_{11} + 81\,^9/_{11} + 163\,^7/_{11} = 336\,^4/_{11}$. This would be the capital he has advanced. 10% on this would be £$33\,^7/_{11}$. And the value of the product=£370. The value would not be one farthing higher because, according to the supposition, portions I and II have not brought in any profit. Accordingly III would have done much better to leave I and II well alone and to keep to the old method of production. For instead of the $63\,^7/_{11}$ which were previously at the disposal of I, II and III, III now has only £$33\,^7/_{11}$ for himself whereas previously, when his fellows were alongside of him, he had £$36\,^4/_{11}$. He would indeed be a very bad hand at business. He would only have saved an outlay of £$9\,^1/_{11}$ in II because he had made no profit in I, and he would have saved an outlay of $18\,^2/_{11}$

in III, by not making a profit in II. The £$90\,^{10}/_{11}$ in COTTON-growing and the $81\,^{9}/_{11}+90\,^{10}/_{11}$ in spinning would both have only replaced themselves. Only the third capital of $90\,^{10}/_{11}+81\,^{9}/_{11}+163\,^{7}/_{11}$ invested in weaving, would have yielded a profit of 10%. This would mean that 100 would yield 10% profit in weaving, but not one farthing in spinning and COTTON-growing. This would be very pleasant for III, so long as I and II are persons other than himself, but by no means so, if, in order *to save these petty profits and pocket them himself*, he has united these 3 branches of business in his worthy self. The saving of advances for profit (or that component part of the [X-464] constant capital of one capitalist which is profit for the others) arose therefore from the fact that [the products of] I and II contained no profits and that I and II performed no surplus labour but regarded themselves merely as wage labourers who only had to replace *their production costs*, i.e., the outlay in constant capital and wages. Thus, in these circumstances—provided I and II did not want to work for III, since if they did, profit would go to *his* account—less labour would have been done in any case, and it would not matter to III whether the work for which he has to pay is only laid out in wages, or in wages and profit. This is all the same to him, in so far as he buys and pays for the product, the *commodity*.

Whether constant capital is wholly or partially replaced *in natura*, in other words, whether it is replaced by the producers of the commodity for which it serves as constant capital, is of no consequence. *D'abord*, all constant capital must in the end be replaced *in natura*: machinery by machinery, raw material by raw material, *matière instrumentale* by *matière instrumentale*. In agriculture, constant capital may also enter as a *commodity*, i.e., be mediated directly by purchase and sale. In so far as organic[a] substances enter into reproduction, the constant capital must of course be replaced by products of the same sphere of production. But it need not be replaced by the individual producers within this sphere of production. The more agriculture develops, the more all its elements enter into it as commodities, not just formally, but in actual fact. In other words, they come from outside, for instance, seeds, fertilisers, cattle, animal substances, etc., are the products of other producers. In industry, for example, the continual movement to and fro of iron into the machine SHOP and machines into the iron mines, is just as constant as is the movement of wheat from the granary to the land and from the land to the granary of

[a] The word "organised" is written above this word in the manuscript.—*Ed.*

the FARMER. The products in agriculture are replaced directly. Iron cannot replace machines. But iron, to the value of the machine, replaces the machine for one [producer], and the iron for the other, in so far as the value of his machine is replaced by iron.

It is difficult to see what difference it is supposed to make to the rate of profit if the peasant, who lays out the 90 $^{10}/_{11}$ on a product of £100, were to compute that, for instance, he spends £20 on seeds etc., 20 on machinery etc., and 50 $^{10}/_{11}$ on wages. What he wants is a profit of 10% on the total sum. The £20 of the product which he sets against seeds do not include any profit. Nevertheless, this is just as much £20 as the £20 in machinery, in which there may be a profit of 10%, although this may be only formal. In actual fact the £20 in machinery, like the £20 in seeds, may not contain a single FARTHING of profit. This is the case if these £20 are merely a replacement for components of the machine builder's constant capital, which he draws from agriculture, for instance.

Just as it would be wrong to say that all machinery goes into agriculture as its constant capital, so it is incorrect to say that all raw material goes into manufacture. A very large part of it remains fixed in agriculture and only represents a reproduction of constant capital. Another part of it goes directly into revenue in the form of means of subsistence and some of it, like fruit, fish, cattle etc., does not undergo a "manufacturing process" at all. It would therefore be incorrect to burden industry with the entire bill for all the raw materials "manufactured" by agriculture. Of course in those branches of manufacture where the raw material features as an advance, alongside wages and machinery, the capital advanced must be greater than in *those* branches of agriculture which supply the raw material used. It could also be assumed that if these branches of manufacture had their *own* rate of profit (different from the general rate) it would be smaller here than in agriculture and precisely because less labour is employed. For, with a given rate of surplus value, more constant capital and less variable capital necessarily bring in a lower rate of profit. This, however, applies equally to certain branches of manufacture as against others and to certain branches of agriculture (in the economic sense) as against others. It is in fact least likely to occur in agriculture proper, because, although it supplies raw material to industry, it differentiates between raw materials, machinery and wages in its own expenditure account, but industry by no means pays agriculture for the *raw material*, i.e., for that part of constant capital which it replaces from within itself and not by exchange with industrial products.

[X-465] Now to a brief resumé of Mr. Rodbertus.

First he describes the situation as he imagines it, where the (self-SUPPORTING) owner of the land is at the same time the capitalist and slave-owner. Then there comes a separation. That part of the "product of labour" which has been taken from the workers—the "one natural rent"—is now split up into "rent of land and capital gain" (pp. 81-82). (Mr. *Hopkins*—see notebook[110]—explains this in even more simple and blunt terms.) Then Mr. Rodbertus divides the "raw product" and "manufactured product" (p. 89) between the landowner and the capitalist—*petitio principii*. One capitalist produces raw products and the other manufactured products. The LANDLORD produces *nothing*, neither is he the "owner of raw products". That is the conception of a German "landed proprietor" such as Mr. Rodbertus is. In England, capitalist production began simultaneously in manufacture and in agriculture.

How a "rate of capital gain" (rate of profit) comes about, is explained by Mr. Rodbertus purely from the fact that money now provides a "measure" of gain, making it possible to "express the relationship of gain to capital" (p. 94) and thus "supplying a standard gauge for the equalisation of capital gains" (p. 94). He has not even a remote idea that this *uniformity of profit is in contradiction* to the equality of rent and unpaid labour in each branch of production, and that therefore the values of commodities and the average prices must differ. This rate of profit also becomes the norm in agriculture because the "*return on property* cannot be calculated upon anything other than capital" (p. 95) and by far the "larger part of the national capital is employed" (p. 95) in manufacture. Not a word about the fact that with the advent of capitalist production, agriculture itself is revolutionised, not only in a formal sense but really, and the landowner is reduced to a mere receptacle, ceasing to fulfil any function in production. According to Rodbertus

"in manufacture, the *value of the entire product of agriculture*" is included "in the capital *as raw material*, whereas this cannot be the case in primary production" (p. 95).

The entire bit is *incorrect*.

Rodbertus now asks himself whether apart from the industrial profit, the profit on capital, there "remains a rent for the raw product", and "for what reasons" (p. 96).

He even assumes

"that the raw product like the manufactured product exchanges according to its labour costs, that the value of the raw product is only equal to its labour cost" (p. 96).

True, as Rodbertus says, Ricardo also assumes this.[a] But it is wrong, at least *prima facie*, since commodities do not exchange according to their values, but at average prices, which differ from their values, and this, moreover, is a consequence of the apparently contradictory law, the determination of the value of commodities by "labour time". If the raw product carried a rent apart from and distinct from average profit, this would only be possible if the raw product were *not* sold at the average price and why this happens would then have to be explained. But let us see how Rodbertus operates.

"I have *assumed* that the rent" (the *surplus value*, the unpaid labour time) "*is distributed according to the* v a l u e *of the raw product and the manufactured product*, and that this value is determined by *labour costs*" (labour time) (pp. 96-97).

To begin with we must examine this first *assumption*. In fact this just means that the *surplus values* contained in the commodities are in the same proportion as their *values*, or, in other words, the *unpaid* labour *contained* in the commodities is proportionate to the total quantities of *labour* they *contain*. If the quantity of labour contained in the commodities A and B is as 3:1, then the unpaid labour—or surplus values—contained in them is as 3:1. Nothing could be further from the truth. Given the necessary labour time, for instance 10 hours, one commodity may be the product of 30 workers while the other is the product of 10. If the 30 workers only work 12 hours, then the surplus value created by them=60 hours=5 days (5×12), and if 10 work 16 hours a day, then the surplus value created by them also=60 hours. According to this, the value of commodity A=30×12=120×3=360: $\begin{array}{|c}\underline{12}\\ 3\end{array}$ =30 working days //12 hours=1 working day//. And the value of commodity B=160 working hours: $\begin{array}{r}160\\ \underline{12}\\ 40\\ \underline{36}\\ 4\end{array}\begin{array}{|c}\underline{12}\\ 13\end{array}=13\,{}^1/_3$ working days. *The values* of commodities A:B=360:160=36:16=6:$^{16}/_6$=6:2$\,^4/_6$=6:2$\,^2/_3$. The surplus values contained in the commodities, however, are as 60:60=1:1. They are equal, although the values are almost as 3:1.

[X-466] Therefore, the surplus values of the commodities are not proportionate to their values, *d'abord* if the absolute surplus values, the extension of labour time beyond the necessary labour, i.e., the *rates of surplus value* [are different].

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[a] See D. Ricardo, *On the Principles of Political Economy...*, pp. 60-61.—*Ed.*

Secondly, assuming the rates of surplus value to be the same, and leaving aside other factors connected with circulation and the reproduction process, then the surplus values are not dependent on the relative quantities of labour contained in the 2 commodities, but on the proportion of the part of capital laid out in wages to the part which is laid out in constant capital, raw material and machinery. And this proportion can be entirely different with commodities of equal values, whether they be "agricultural products" or "manufactured products", which in any case has nothing to do with this business, at least not *prima facie*.

Mr. Rodbertus' first assumption, that, if the values of commodities are determined by labour time, it follows that the quantities of unpaid labour *contained* in various commodities—or their surplus values—are directly related to their values is therefore fundamentally wrong. It is therefore also incorrect to say that

"*rent* is distributed according to the *value* of the raw product and the manufactured product", if "this value is determined by *labour costs*" (pp. 96-97).

"Of course it follows from this that the size of these portions of rent is not determined by the *size of the capital on which the gain is calculated*, but by the *direct labour*, whether it be agricultural or manufacturing+that amount of labour which must be added on account of the wear and tear of tools and machines" (p. 97).

Wrong again. The volume of surplus value (and in this case surplus value is the *portion of rent*, since rent is here regarded as the general term, as opposed to profit and ground rent) depends only on the immediate labour involved and not on the wear and tear of fixed capital. Just as it does not depend on the value of the raw material or indeed on any part of the constant capital.

The wear and tear does, of course, determine the rate at which fixed capital must be reproduced. (At the same time, its production depends on the formation of new capital, on the accumulation of capital.) But the surplus labour which is performed in the production of fixed capital does not affect the sphere of production into which this fixed capital enters as such, any more than does the surplus labour which goes into the production of, say, the raw materials. It is rather equally valid for all of them, agriculture, production of machines and manufacture, that their surplus value is determined only by the amount of labour employed, if the rate of surplus value is given, and, by the rate of surplus value, if the amount of labour employed is given. Mr. Rodbertus seeks to "drag in" wear and tear in order to chuck out "raw materials".

On the other hand, Mr. Rodbertus maintains that the size of the rent can [never] be influenced by "that part of capital which consists of material value", since, "for instance, the labour cost of wool as a raw material cannot affect the labour cost of a particular product such as yarn or fabric" (p. 97).

The labour time which is required for spinning and weaving is as much, or rather as little, dependent on the labour time—i.e., the *value* of the machine—as it is on the labour time which the raw material costs. Both machine and raw material enter into the labour process; neither of them enters into the valorisation process.

"On the other hand, the value of the primary product, or the material value, does figure as *capital outlay* in the capital upon which the owner has to calculate his gain, the part of the rent falling on the manufactured product. *But in agricultural capital this part of capital is missing.* Agriculture *does not require any material which is the product of a previous production, in fact it actually begins the production,* and in agriculture, that part of the property which is analogous with material, would be the land itself, which is however assumed to be without cost" (pp. 97-98).

This is the conception of the German peasant. In agriculture (excluding mining, fishing, hunting but *by no means stock-raising*) seeds, feeding stuffs, cattle, mineral fertilisers, etc., form the material [X-467] for manufacturing and this material is the product of *labour.* This "*outlay*" grows proportionately to the development of industrialised agriculture. All production—once we are no longer dealing with mere taking and appropriating—is reproduction and hence requires "the product of a previous production as material". Everything which is the result of production is at the same time a prerequisite of production. And the more large-scale agriculture develops the more it buys products of "a previous production" and sells its own. In agriculture these expenses feature as commodities in a formal sense—converted into commodities by being reckoned in money—as soon as the FARMER becomes at all dependent on the sale of his product; as soon as the prices of various agricultural products (like hay for example) have established themselves, for division of the spheres of production takes place in agriculture as well. Queer things must be happening in the mind of a peasant if he reckons the quarter of wheat which he sells as *income,* but does not reckon the quarter which he puts into the soil as "*expenditure*". Incidentally, Mr. Rodbertus ought to try somewhere to "begin the production", for instance of flax or silk, without "products of a previous production". This is absolute nonsense.

And therefore also the rest of Rodbertus' conclusions:

"The two parts of capital that influence the *size* of the rent are thus common to agriculture and industry. The part of capital, however, that does not influence the size of the rent—but on which gain, i.e., the rent determined by those parts of capital, is also calculated—is to be found in industrial capital alone. According to the assumption, the value of the raw product like that of the manufactured product is dependent on labour cost and rent accrues to the owners of the primary product and of the manufactured product proportionately to this value. Therefore *the rent yielded in raw material production and industrial production is relative to the quantities of labour which the respective product has cost, but the capitals employed in agriculture and in industry, on which the rent is distributed as gain*—namely in manufacture entirely, in agriculture according to the rate of gain prevailing *in manufacture*—are not in the same proportion as those quantities of labour and the rent determined by them. Although *an equal amount of rent accrues to the primary product and to the industrial product*, industrial capital is larger than agricultural capital by the entire value of the raw material it contains. Since the value of this raw material *augments the industrial capital on which the available rent is calculated as gain, but not the gain itself*, and thus simultaneously helps *to lower the rate of capital gain*, which also prevails in *agriculture*, there must necessarily be left over in agriculture a part of the rent accruing there which is not absorbed by the *calculation of gain based on this rate of gain*" (pp. 98-99).

First wrong proposition: *If* industrial products and agricultural products exchange according to their *values* (i.e., in relation to the labour time required for their production), then they yield to their owners equal amounts of *surplus value* or quantities of unpaid labour. Surplus values are *not* proportional to values.

Second wrong proposition: Since Rodbertus presupposes *a rate of profit* (which he calls rate of capital gain) the supposition that commodities *exchange in the proportion of* their values is incorrect. One proposition excludes the other. For a (general) *rate of profit* to exist, the *values* of the commodities must have been *transformed into average prices* or must be in the constant process of transformation. The *particular rates of profit* which are formed in every sphere of production on the basis of the ratio of *surplus value to capital advanced*, are equalised in this general rate. Why then not in agriculture? That is the question. But Rodbertus does not even formulate this question correctly, because *firstly* he presupposes that there is a general *rate of profit* and secondly he assumes that the *particular* rates of profit (hence also their differences) are *not* equalised and thus that commodities exchange at their *values*.

Third wrong proposition: The *value of the raw material does not enter into agriculture*. Rather here, the advances of seeds, etc., are component parts of constant capital and are calculated *as such* by the FARMER. To the same degree that agriculture becomes a mere branch of industry—i.e., that capitalist production is established on the land—[X-468] to the degree to which agriculture produces for the market, produces *commodities*, articles for sale and not for its own consumption—to the same degree it calculates its outlay and regards each ITEM of expenditure as a commodity, whether it buys it from itself (i.e., from *production*) or from a third person.

The *elements of production* naturally become commodities to the same extent as the *products* do, because after all, these elements are those very same products. Since wheat, hay, cattle, seeds of all kinds, etc., are thus *sold* as commodities—and, since this sale is the essential thing, not their use as a means of subsistence—they also enter into production as *commodities* and the FARMER would have to be A REAL BLOCKHEAD not to be able to use money as the unit of account. *D'abord* this is, however, the formal aspect of the calculation. But simultaneously [the position] *develops* [in such a way] that the FARMER buys his *outlay*, seeds, cattle, fertilisers, mineral substances, etc., while he sells his *receipts*, so that for the individual FARMER these advances are also advances in the formal sense in that they are *bought commodities*. (They have always been commodities for him, component parts of his capital. And when he has returned them, in kind, to production, he has regarded them as *sold* to himself in his capacity as producer.) Moreover, this takes place to the same extent as agriculture develops and the final product is produced increasingly by industrial methods and according to the capitalist mode of production.

It is therefore wrong to say that there is a part of capital which enters into industry but *not* into agriculture.

Suppose then, according to *Rodbertus'* (*false*) *proposition*, that the "portions of rent" (i.e., shares of surplus value) yielded by the agricultural product and the industrial product are given, and that they are proportionate to the *values* of the agricultural product and the industrial product. Supposing, in other words, industrial products and agricultural products of *equal values* yield equal *surplus values* to their owners, i.e., contain *equal quantities of unpaid labour*, then no disproportion occurs through the entry into industry (for raw material) of *one single* part of capital which did not enter into agriculture, so that, for instance, the same surplus value in industry would be reduced in proportion to a capital *augmented* by this component. For the same *ITEM* of capital goes into agriculture. There only remains the question of whether it does so *in the same proportion*. But this brings us to *mere quantitative differences* whereas Mr. Rodbertus wants a "*qualitative*" difference. These same *quantitative differences* occur between different *industrial* spheres of production. They compensate one another in the general rate of profit. Why not as between industry and agriculture (IF THERE ARE SUCH DIFFERENCES)? Since Mr. Rodbertus allows agriculture to participate in the *general rate of profit*, why not in the process of its formation? But of course that would mean the end of his argument.

Fourth wrong proposition: It is wrong and arbitrary of Rodbertus to include *wear and tear of machinery*, etc., that is, an element of *constant capital*, in *variable capital*, that is, in the part of capital which creates surplus value and in particular determines the rate of surplus value, and at the same time, *not* to include raw material. He makes this *accounting error* in order to arrive at the *facit*[a] he wanted from the outset.

Fifth wrong proposition: If Mr. Rodbertus wants to differentiate between agriculture and industry, then that *element of capital* which consists of fixed capital such as machinery and tools belongs entirely to *industry*. This element of capital, in so far as it becomes part of any capital, can only enter into *constant capital*, and can never increase surplus value by a single farthing. On the other hand, as a *product of industry*, it is the result of a particular sphere of production. Its price, or the part of value which it forms within the whole of social capital, at the same time represents a *certain quantity of surplus value* (just as is the case with raw material). Now it does enter into the agricultural product, but it stems from industry. If Mr. Rodbertus reckons raw material to be an element of capital in industry which comes from outside, then he must reckon machines, tools, vessels, buildings, etc., as an element of capital in agriculture which comes from outside. He [must] therefore say that industry comprises only wages and raw materials (because fixed capital, in so far as it is not raw materials, is a product of industry, its own product) whereas agriculture comprises only wages [X-469] and machinery, etc., i.e., fixed capital, because *raw material*, in so far as it is not embodied in tools, etc., is the product of agriculture. It would then be necessary to examine how the absence of this "ITEM" affects the account in industry.

Sixthly: It is quite true that mining, fishing, hunting, forestry (in so far as the trees have not been planted by man), etc., in short, the *extractive industries*—concerned with the extraction of raw material that is not *reproduced* in kind—use *no raw materials*, EXCEPT *matières instrumentales*. This does *not* apply to agriculture.

But it is equally [true] that *the same* does hold good for a very large part of *industry*, namely the *transport industry*, in which *outlays* consist only of machinery, *matières instrumentales*, and wages.

Finally, there are certainly other *branches of industry*, such as tailoring, etc., which, relatively speaking, only absorb raw materials and wages, but no machinery, fixed capital, etc.

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[a] Result.—*Ed.*

In all these instances, the size of the *profit*, i.e., the *ratio of surplus value* to *capital advanced*, would not depend on whether the advanced capital—after deduction of *variable capital, or the part of capital spent on wages*—consists of machinery or raw material or both, but it would depend on the magnitude of the capital advanced relative to the part of the capital spent on wages. Different rates of profit (apart from the modifications brought about by circulation) would thus exist in the different spheres of production, the result of their equalisation being the general rate of profit.

Mr. Rodbertus surmises that there is a difference between surplus value and its special forms, in particular profit. But he misses the point because, right from the beginning, he is concerned with the explanation of *a particular* phenomenon (ground rent) and not [with] the establishment of a general law.

Reproduction occurs in all branches of production; but only in agriculture does this industrial reproduction coincide with natural reproduction. It does not do so in *extractive industry*. That is why, in the latter, the product does not in its natural form become an element in its own reproduction //except in the form of *matière instrumentale*//.

What distinguishes agriculture, stock-raising, etc., from other industries is, *firstly*, *not* the fact that a product becomes a means of production, since that happens to all industrial products which have not the definitive form of individual means of subsistence. And even as such they become means of production of the *producer* who reproduces himself or maintains his labour capacity by consuming them.

Secondly, the difference is *not* the fact that agricultural products enter into production as *commodities*, i.e., as component parts of capital; they go into production just as they come out of it. They emerge from it as commodities and they re-enter it as commodities. The commodity is both the prerequisite and the result of capitalist production.

Hence thirdly, there *only* [remains] the fact that they enter as their own means of production into the production process whose product they are. This is also the case with machinery. Machine builds machine. Coal helps to raise coal from the shaft. Coal transports coal, etc. In agriculture this appears as a natural process, guided by man, although he also causes it "to some extent". In the other industries it appears to be a direct effect of industry.

But Mr. Rodbertus is on the wrong track altogether if he thinks that he must not allow *agricultural products* to enter into reproduction as "*commodities*" because of the peculiar way in which they enter it as "use values" (technologically). He is evidently thinking of the time when AGRICULTURE was not as yet a TRADE, when only the *excess* of its production over what was consumed by the producer became a *commodity* and when even those products, in so far as they entered into production, were not regarded as *commodities*. This is a fundamental misunderstanding of the application of the capitalist mode of production to industry. For the latter, every product which has value—and is therefore in itself a *commodity*—also figures as a commodity in the accounts.

Supposing, for example, that in the mining industry, the constant capital, which consists purely of machinery,=£500 and that the capital laid out in wages also=£500. Then, if the surplus value=40%, i.e.,=£200, the profit [would be] 20%. Thus:

Constant capital Machinery	Variable capital	Surplus value
500	500	200

If the same variable capital were laid out in those branches of manufacture (or of agriculture) in which raw materials play a part, and furthermore, if the utilisation of this variable capital (i.e., the employment of this particular number of workers) required machinery, etc., to the value of £500, then indeed a third element, the value of the material, would have to be added, say again, £500. Hence in this case:

Constant capital Machinery Raw materials	Variable capital	[Surplus value]
500+500=£1,000	500	200

The 200 would now have to be reckoned on 1,500 and would only be 13 $^1/_3$%. This example would still apply, if in the first case the transport industry had been quoted as an illustration. On the other hand, the rate of profit would remain the same in the second case if machinery cost 100 and raw materials 400.

[X-470] What, therefore, Mr. Rodbertus imagines is that in industry 100 are laid out in machinery, 100 in wages and *x* in raw materials, whereas in agriculture 100 are laid out in wages+100 in machinery. The scheme would be like this:

I) *Agriculture*

Constant capital Machinery	Variable capital	Surplus value	Rate of profit
100	100	50	$^{50}/_{200}={}^1/_4$

II) *Industry*

Constant capital: Raw materials	Constant capital: Machinery	Variable capital	Surplus value	Rate of profit
x	100	100	50	$\frac{50}{200+x}$

must therefore be, at any rate, less than $^1/_4$. Hence the rent in I.

Firstly then, this difference between agriculture and manufacture is *imaginary*, NON-EXISTENT; it has *no* BEARING on THAT FORM OF RENT WHICH DETERMINES ALL OTHERS.

Secondly, Mr. Rodbertus could find this difference between the rates of profit IN ANY TWO individual BRANCHES OF INDUSTRY. The difference is dependent on the *proportion of constant capital to variable capital* and the proportion in turn may or may not be determined by the addition of raw materials. In those branches of industry which use raw materials as well as machinery, the value of the raw materials, i.e., the relative share which they form of the total capital, is of course very important, as I have shown earlier.[a] This has nothing to do with ground rent.

"Only when the value of the raw product falls *below* the labour cost is it possible that in agriculture too the whole *portion of rent accruing* to *the raw product is absorbed in the gain calculated on capital*. For then this portion of rent may be so reduced that although agricultural capital does not comprise the value of material, the ratio between these two is similar to that existing between the portion of rent accruing to the manufactured product and the manufacturing capital, although the latter contains the value of material. Hence only in those circumstances is it possible that in agriculture too, no rent is left over besides capital gain. But in so far as, in practice, as a rule, conditions gravitate towards the law that value equals labour cost, so, as a rule, ground rent is also present. The absence of rent and the existence of nothing but capital gain, is not the original state of affairs, as Ricardo maintains, but only an exception" (p. 100).

Thus, continuing with the above example; but taking raw materials as £100, to have something tangible, we get:

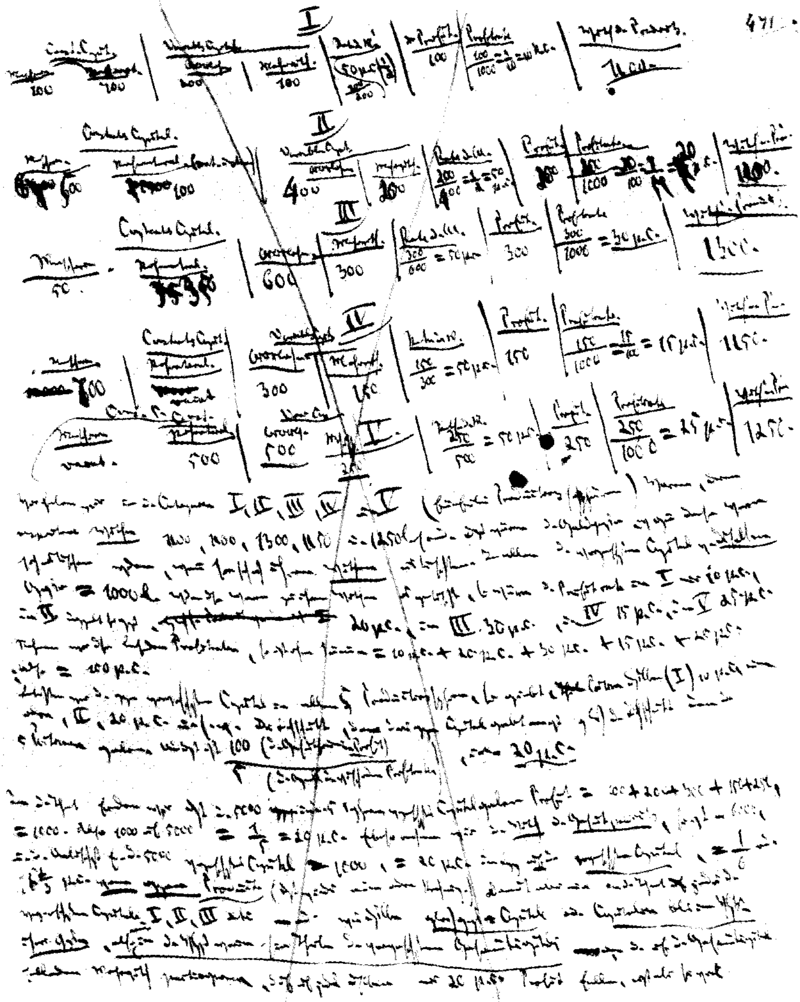
I) *Agriculture*

Constant capital Machinery	Variable capital	Surplus value	Value	Price	Profit
100	100	50	250	$233\,^2/_6$	$16\,^2/_3\%$

II) *Industry*

Constant capital: Raw materials	Constant capital: Machinery	Variable capital	Surplus value	Rate of profit	Profit
£100	100	100	50	$^{50}/_{300}={}^1/_6$	£$50+16\,^2/_3\%$

[a] See this volume, pp. 60-67.—*Ed.*



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Here the rate of profit in agriculture and industry would be the same, therefore nothing would be left over for rent, because the agricultural product is sold at £16$^4/_6$ *below* its *value*. Even if the example were as correct as it is false *for agriculture*, then the circumstance that the value of the raw product falls "*below* the cost price"[a] would in any case only correspond to the law of *average prices*. Rather it needs to be explained *why* "*as an exception*" this is to a certain extent *not* the case in agriculture and why here the total surplus value (or at least to a larger extent than in the other branches of industry, a SURPLUS above the average rate of profit) *remains* in the price of the product of this particular branch of production and does not participate in the formation of the GENERAL RATE OF PROFIT. It becomes evident here that Rodbertus does not understand what the (general) rate of profit and the average price are.

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

I)

Constant capital		Variable capital		Rate of surplus value	Profit	Rate of profit
Raw materials	Machinery	Wages	Surplus value			
700	100	200	100	$^{50}/_{100}={}^5/_{10}={}^1/_2=50\%$	100	$^{100}/_{1,000}={}^1/_{10}=10\%$

The *value of the product*=1,100 (*verte* to the next page).

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

[X-471]

	Constant capital		Variable capital (wages)	Surplus value	Rate of surplus value	Profit	Rate of profit	Value of product
	Machinery	Raw materials						
I	100	700	200	100	50%	100	10%	1,100
II	500	100	400	200	50%	200	20%	1,200
III	50	350	600	300	50%	300	30%	1,300
IV	700	none	300	150	50%	150	15%	1,150
V	none	500	500	250	50%	250	25%	1,250

We have here, in the categories I, II, III, IV and V (five different spheres of production), commodities whose respective *values* are £1,100, £1,200, £1,300, £1,150 and £1,250. These are the money prices at which these commodities would exchange if they were exchanged according to their *values*. In all of them the

[a] Rodbertus has "below the labour cost".—*Ed.*

capital advanced is of *the same* size=£1,000. If these commodities were exchanged at their values, then the rate of profit in I would be only 10%; in II, twice as great, 20%; in III, 30%; in IV, 15%; in V, 25%. If we add up these particular rates of profit they come to 10%+20%+30%+15%+25%, which is 100%.

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

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

In fact we find that the [£] 5,000 capital advanced in the 5 spheres yields a profit=100+200+300+150+250=1,000; 1,000 on 5,000=$^1/_5$=20%. Similarly: if we work out the *value of the total product*, it comes to 6,000 and the excess on the 5,000 capital advanced=1,000,=20% in relation to the *capital advanced*,=$^1/_6$ or $16\,^2/_3$% *of the total product*. (This again is another calculation.)

However, so that in fact each of the capitals advanced, i.e., I, II, III, etc.—or what comes to the same thing, that *capitals of equal size*—should receive a part of the surplus value yielded by the aggregate capital *only in proportion to their magnitude, i.e., only in proportion to the share they represent in the aggregate capital advanced*, each of them should get only 20% profit and each must get this amount. [X-472] But to make this possible, the products of the various spheres must in some cases be sold *above* their value and in other cases more or less *below* their value. In other words, the total surplus value must be distributed among them not in the proportion in which it is made in the *particular* sphere of production, but in proportion to the *magnitude* of the capitals advanced. All must sell their product at £1,200, so that the excess of the value of the product over the capital advanced=$^1/_5$ of the latter=20%.

According to this apportionment:

	Value of product	Surplus value	Average price	Excess of average price over value	Excess of profit over surplus value	Calculated profit
I	*1,100*	*100*	1,200	100	100%	*200*
				Value=price		
II	*1,200*	*200*	1,200	0	0	*200*
				Decrease in average price below value	Decrease in profit below surplus value	
III	1,300	*300*	1,200	100	$33^1/_3$%	*200*

				Excess of price over value	Excess of profit over surplus value	
IV	1,150	*150*	1,200	50	*25%* (50)	*200*
				Excess of value over price	Excess of surplus value over profit	
V	1,250	*250*	1,200	50	[25%]	[200]
					Decrease in profit below surplus value	
					$^1/_5$=20%	

This shows that only in one instance II) the average price=the value of the commodity, because by coincidence, the *surplus value* equals the *normal average profit of 200.* In all other instances a greater or a lesser amount of surplus value is taken away from one sphere and given to another, etc.

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

Competition brings about the equalisation of profits, i.e., the reduction of the *values* of the commodities to *average prices.* The individual capitalist, according to Mr. Malthus, expects an equal profit from every part of *his* capital[111]—which, in other words, means only that he regards each part of his capital (apart from its organic function) as an independent source of profit, that is how it *seems* to him. Similarly, in relation to the class of capitalists, every capitalist regards his *capital* as a source of profit equal in volume to that which is being made by every other capital *of equal size.* This means that each capital in a particular sphere of production is only regarded as *part of the aggregate capital* which has been *advanced to production as a whole* and demands its SHARE in the total surplus value, in the total amount of unpaid labour or labour products—in proportion to its size, its stock—in accordance to the proportion of the aggregate capital it constitutes. This *illusion* confirms for the capitalist—to whom everything in competition *appears* in reverse—and not only for him, but for some of his most devoted pharisees and scribes, that capital is a source of income *independent* of labour, since in fact the profit on capital in each particular sphere of production is by no means solely determined by the quantity of unpaid labour which it itself "*produces*"; it is thrown into the pot of aggregate profits, from which the individual capitalists draw their quota in proportion to their SHARES in the total capital.

Hence Rodbertus' nonsense. Incidentally, in some branches of agriculture—such as stock-raising—the variable capital, i.e., that which is laid out in wages, is extraordinarily small compared with the constant part of capital.

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

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

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

The average price of a commodity equals its *production costs* (the capital advanced in it, be it in wages, raw material, machinery or whatever else)+average profit. Hence if, as in the above case, average profit=20%=$^1/_5$, then the average price of each

[a] That's all.—*Ed.*

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

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

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

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

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

This is bad. The rate of rent is, in the first place, to be calculated on the capital, i.e., as the *excess of the price of a commodity* over *its production costs* and over that part of the *price* which forms the *profit*. Because it helps him to understand certain phenomena Mr. Rodbertus makes the calculation with an ACRE or a morgen, [X-474] the *apparent* form of the thing, in which the intrinsic connection is lost. The rent yielded by an ACRE is the RENTAL, THE ABSOLUTE AMOUNT OF RENT. IT MAY RISE IF THE RATE OF RENT REMAINS THE SAME OR IS EVEN LOWERED.

"The *level of the value of land* follows from the capitalisation of the rent of a particular piece of land. The greater the amount of capital derived from the capitalisation of the rent of a piece of land of a given area, the *higher* is the value of the land" ([p.] 114).

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

Mr. Rodbertus now wants to investigate:

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

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

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

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

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

The following is a somewhat peculiar notion:

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

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

Rodbertus correctly defines the necessary wage as equal to

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

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

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

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

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

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

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

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

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

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

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

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

[a] See this volume, p. 306.—*Ed.*

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

We repeat: *quod non*!

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

Further assume that:

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

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

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

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

[a] See this volume, pp. 60-65.—*Ed.*

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

Let us assume the opposite. Supposing the cotton harvest is twice as rich[112] and that that part of it which is returned direct to the soil, for instance as fertiliser and seed, costs less than before. In this case the portion of value which is left for the COTTON-grower after deduction of wages is greater than before. The rate of profit would rise here just as in the cotton industry. True, in one yard of CALICO, the proportion of value formed by the raw product would now be smaller than before and that formed by the manufacturing process would be larger than before. Assume that CALICO costs 2s. a yard when the value of the cotton it contains=1s. Now if cotton goes down from 1s. to 6d. (which, on the assumption that its *value*=its price, is only possible because its cultivation has become more productive), then the value of a yard of CALICO=18d. It has decreased by $^1/_4$=25%. But where the COTTON-grower previously sold 100 lbs at 1s., he is now supposed to sell 400 at 6d. Previously the value=100s.; now it is 200s. Although previously cotton formed a greater proportion of the value of the product—and the rate of surplus value in cotton growing itself decreased simultaneously—the COTTON-grower obtained only 50 yds of CALICO for his 100s. cotton at 1s. per lb.; now that the lb. [is sold] at 6d., he receives 133$^1/_3$ yds for his 200s.

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

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

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

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

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

Let the rent be $^1/_{10}$ of the agricultural surplus value, then it is 120 hours if the value of the agricultural product is 600 out of the 900 and only 60 if it is 300. According to this, the *volume* of rent would in fact alter with the amount of the value of the agricultural product, hence also with the relative value of the agricultural product *in relation* to the manufactured product. But the "*level*" of the rent and of the profit—their rates—would have *absolutely nothing to do with it whatsoever.* In the first case the value of the product=900 of which 300 is manufactured product and 600 agricultural product. Of this, 600 hours surplus value accrue to the manufactured product and 1,200 to the agricultural product.

Altogether 1,800 hours. Of these, 120 go to rent and 1,680 to profit. In the second case the value of the product=900, of which 600 is manufactured product and 300 agricultural product. Thus 1,200 [hours] surplus value for manufacture and 600 for agriculture. Altogether 1,800. Of this 60 go to rent and 1,200 to profit for manufacture+540 for agriculture. Altogether 1,740. In the second case, the manufactured product is twice as great as the agricultural product (in terms of value). In the first case the position is reversed. In the second case the rent=60, in the first it=120. It has simply grown in the same proportion as the value of the agricultural product. As the volume of the latter increased so the volume of the rent increased. If we consider the total surplus value, 1,800, then in the first case the rent is $^1/_{15}$ and in the second it is $^1/_{30}$.

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

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

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

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[a] See this volume, pp. 308-09.—*Ed.*

[b] Marx quotes Rodbertus with some alterations.—*Ed.*

is ridiculous. It amounts to measuring the "level" of rent by a "standard of measurement" that obviates the difficulty of the problem itself.

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

I)

	Manufactured product	Agricultural product	
I	600	300	1,200 surplus value for manufacture, 600 for agriculture and 60 for rent. *Altogether* 1,860. *1,800* for profit.
II	300	600	600 surplus value for manufacture, 1,200 for agriculture and 120 for rent. Altogether 1,920. *1,800* for profit.

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

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

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

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

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

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[a] See this volume, pp. 143-49.—*Ed.*

[b] See K. Marx, *Capital*, Vol. III, Part II, Ch. XXI (present edition, Vol. 37).—*Ed.*

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

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

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

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

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

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

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

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

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

The *mass of products* on which the revenue is spent and which IN FACT represents that part of wealth which constitutes revenue, in terms of both *use value* and *exchange value*—this mass of products can, as I have demonstrated earlier,[b] be regarded as consisting only of *newly added* (during the year) *labour*. Hence it can be resolved *only* into revenue, i.e., wages and profit (which again splits up into profit, rent, taxes, etc.), since not a single particle of it contains any of the value of the raw material which goes into production or of the wear and tear of the machinery which goes into production, in a word, it contains none of the value of the means of labour. Leaving aside the derivative forms of revenue because they merely show that the owner of the revenue relinquishes his proportional share of the said products to another, be it for SERVICES, etc. or debt, etc.—let us consider this revenue and assume that wages form $^1/_3$ of it, profit $^1/_3$ and rent $^1/_3$ and that the value of the product=£90. Then each will be able to draw the equivalent of £30 worth of products from the whole amount.

Since the amount of products which forms the revenue consists

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[a] See this volume, pp. 143-49.—*Ed.*
[b] Ibid., pp. 134-43.—*Ed.*

only of *newly added* (i.e., added during the year) labour, it seems very simple that if the product contains $^2/_3$ agricultural labour and $^1/_3$ manufacturing labour, then MANUFACTURERS and AGRICULTURISTS will share the value in this proportion. $^1/_3$ of the value would fall to the manufacturers and $^2/_3$ to the agriculturists and the proportional amount of the surplus value realised in manufacture and agriculture (the same rate of surplus value is assumed in both) would correspond to these shares of manufacture and agriculture in the value of the total product. But rent again [would] grow in proportion to the farmer's volume of profit since it sponges on it. And yet this is wrong. Because a part of the value which consists of agricultural labour forms the *revenue* of the manufacturers of that fixed capital, etc., which replaces the fixed capital worn out in agriculture. Thus the ratio between agricultural labour and manufacturing labour in the *component parts of value of those products which constitute the revenue*, in no way indicates the *ratio* in which the value of this mass of products or this mass of products itself is distributed between the MANUFACTURERS and the FARMERS, neither does it indicate the *ratio* in which manufacture and agriculture participate in total production.

Rodbertus goes on to say:

> "But again it is only the productivity of labour in primary production or manufacture, which determines the relative level of the value of the raw product and manufactured product or their respective shares in the value of the total product. The value of the raw product will be the higher, the lower the productivity of labour in primary production and vice versa. In the same way, the value of the manufactured product will be the higher, the lower the productivity in manufacture and vice versa. Since a high value of the raw product effects a high ground rent and low capital gain, and a high value of the manufactured product effects a high capital gain and low ground rent, if the level of rent in general is given, the level of ground rent and of capital gain must not only bear an inverse relationship to one another, but also to the productivity of their respective labour, that in primary production and that in manufacture" ([p.] 123).

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

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

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

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

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

This assertion contains almost as many falsehoods as words.

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

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

Hence what Rodbertus says is fundamentally wrong:

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

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

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

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

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

[a] If such exists.—*Ed.*

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

AND WHY?

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

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

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

Constant capital	Variable capital	Surplus value	Value	Production costs	Profit
100	50	150	300	*150*	150=100%

The only requirement to produce this situation is that the worker should work for his MASTER $^3/_4$ of his working day, it is therefore assumed that $^1/_4$ of his labour time suffices for his own reproduction. Of course, if Mr. Rodbertus takes the total value of the product, which=300, and does not consider the excess it contains over the production costs, but says that this *product* is to be divided between the capitalist and the worker, then IN FACT the capitalist's portion can only amount to a part of this product, even if it came to $^{999}/_{1,000}$. But the calculation is incorrect, or at least useless in almost every respect. If a person lays out 150 and makes 300 he is not in the habit of saying that he has made a profit of 50% on the basis of reckoning the 150 on 300 instead of 150.

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

Constant capital	Variable capital	Surplus value	Value	Production costs	Profit	Per cent
125	50	200	375	175	200	$114^2/_7$

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

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

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

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

> 1) "...with the European nations, the productivity of labour in general—labour employed in primary production and manufacturing—has risen ... as a result of which the part of the national product used for wages has diminished, the part left over for rent has increased ... so *rent in general has risen*" ([pp.] 138-39).
>
> 2) "...the increase in productivity is *relatively greater* in manufacture than in primary production ... an equal value of national product will therefore at present yield a larger rent share to the raw product than to the manufactured product. Therefore notwithstanding the rise in rent in general, in fact only *ground rent has risen while capital gain has fallen*" ([p.] 139).

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

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

[a] Rent.—*Ed.*

[b] See this volume, p. 546.—*Ed.*

[c] J. Anderson, *An Inquiry into the Causes that Have Hitherto Retarded the Advancement of Agriculture in Europe...*, Edinburgh, 1779, p. 5.—*Ed.*

productivity has risen. Although the number of workers employed has grown, as has the rate at which they are exploited, the amount of capital expended on wages as a whole has fallen *relatively*, although it has risen absolutely; because the capital which is set in motion by these workers as an advance, a product of the past, entering production as a *prerequisite*, forms an ever growing share of the total capital. Hence the rate of profit+rent taken together has fallen, although not only its volume (its absolute amount) has grown, but also the rate at which labour is being exploited has risen. This Mr. Rodbertus cannot see, because for him constant capital is an invention of industry of which agriculture is ignorant.

But so far as the *relative* magnitude of profit and rent is concerned, it does not by any means follow that, because agriculture is relatively less productive than industry, the *rate of profit* has fallen absolutely. If, for instance, its relationship to rent was as 2:3 and is now as 1:3, then whereas previously it formed $^2/_3$ of rent, it now forms only $^1/_3$, or previously [profit] formed $^2/_5$ of the total surplus value and now only $^1/_4$, [or] previously $^8/_{20}$ and now only $^5/_{20}$; it would have fallen by $^3/_{20}$ or [by] 15%.

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

Thus the cost of the 300 lbs is:

in the first case:
600 raw material, 60 machinery, 300 wages, 60 surplus value, altogether=1,020s.
in the second case:
300 raw material, 60 machinery, 100 wages, 40 surplus value, altogether=500s.

The *production costs in the first case 960.* Profit *60. Per cent* $6^1/_4$%.
In *the second case: 460. Profit 40.* $8^{16}/_{23}$%.

Suppose the rent was $^1/_3$ of 1 lb., then in the first case it=200s.=£10; in the second it=100s.=£5. The rent has fallen here because the raw product has become cheaper by 50%. But the whole of the product has become cheaper by more than 50%. The industrial labour added in I [is to the value of the raw material] as 360:600=$^6/_{10}$=1:1$^2/_3$; in II, as 140:300=1:2$^1/_7$. Industrial labour has become relatively more productive than agricultural labour; yet in the first case the rate of profit is lower and the rent higher than in the 2nd. In both cases rent amounts to $^1/_3$ of raw materials.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This would therefore only be an application of the law developed by me in a *general* form to a particular branch of industry.[a]

[X-485] Consequently:

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

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

[a] See this volume, pp. 298, 301-05.—*Ed.*

mistaken when they imagine that monopoly enables the landed proprietor to force the *price of the commodity above its value*.[114] On the contrary, it makes it possible to maintain the value *of the commodity above its average price*; to sell the commodity not *above*, but *at* its value.

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

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

[a] Marx means "excess surplus value".—*Ed.*

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

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

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

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

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

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

* //As Opdyke calls landed property "THE *LEGALISED REFLEXION OF THE VALUE OF CAPITAL*", so "*CAPITAL* is *THE LEGALISED REFLEXION OF OTHER PEOPLE'S LABOUR*".//

is however absurd to say, as for example Rodbertus does, that the State levies, for instance, A DOLLAR OR SO PER ACRE, a low, almost NOMINAL PRICE.[a] One could just as well say that the State imposes a "trade tax" on the pursuit of every branch of industry. In *this case* Ricardo's law exists. Rent exists only for relatively fertile land—although mostly not in a fixed but in a fluid state, like the excess profit in industry. The land that pays *no* rent does so, not because of its low fertility, but *because of its high fertility*. The better kinds of land pay rent, because they possess *more* than average fertility, as a result of their *relatively higher* fertility.

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

[X-487] Supposing for example, that the last land which carries *rent* (and the land which carries the *smallest* rent represents *pure* rent; the others already differential rent) produces, [with] a capital investment of £100, [a product] equal to £120 or 360 qrs of wheat at £$^1/_3$. In this case 3 qrs=£1. Let £1 equal one week's labour. £100=100 weeks' labour and £120=120 weeks' labour. 1 qr=$^1/_3$ of a week=2 days and of these 2 days or 24 hours (IF THE NORMAL WORKING DAY=12 HOURS) $^1/_5$, or 4$^4/_5$ hours, are unpaid labour=the surplus value embodied in the qr. 1 qr=£$^1/_3$=6$^2/_3$s. or 6$^6/_9$s.[115]

If the qr is sold at its value and the average profit=10% then the *average price* of the 360 qrs=£110 and the average price per qr 6$^1/_9$s. The value would be £10 above the average price. And since the average profit=10% the rent would be equal to half the surplus value,=£10 or $^5/_9$s. per qr. Better types of land, which would yield more qrs for the same outlay of 120 weeks' labour (of which, however, only 100 are paid labour, be it objectified or living), would, at the price of 6$^6/_9$s. per qr, yield a higher rent. But the worst cultivated land would yield a rent of £10 on a capital of £100, or of $^5/_9$s. per qr of wheat.

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

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[a] See this volume, p. 382.—*Ed.*

[b] In the manuscript: "high".—*Ed.*

330 qrs with 120 weeks' labour. If the value of 3 qrs=£1, then that of 330 qrs=£110. But 1 qr would now be=to *2 days, $2^2/_{11}$ hours,* while before it was=to only 2 days. Previously, 1 qr=$6^6/_9$s. or 1 qr=6s. 8d.; now, since £1=6 days,=7s. 3d. $1^1/_{11}$ farthing. To be sold at its *value* the qr would now have to be sold at 7d. $1^1/_{11}$ farthing more, at this price it would also yield the rent of $^5/_9$s. per qr. The *value* of the wheat produced on the better land is here *below* the *value* of that produced on the worst land. If this worst land sells at the price per qr of the next best or rent-yielding land then it sells *below* its value but at the *average price* of the better land, i.e., the price at which it yields the normal profit of 10%. It can therefore be cultivated and yield the normal average profit to the capitalist.

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

Firstly if the *value* of the qr of wheat were above $6^6/_9$s. (its *price* could be above $6^6/_9$s., i.e., above its value, as a result of demand; but this does not concern us here. The $6^6/_9$s., the price per qr, which yielded a rent of £10 on the worst land cultivated previously, was equal to the *value* of the wheat grown on *this* land, which yields a non-differential rent), that is [if] the worst land previously cultivated and all others, while yielding *the same* rent, were proportionately less fertile, so that their value were higher *above* their average price and the average price of the other commodities. That the *new* worst land does *not* yield a rent is thus not due to its low fertility but to the *relatively high fertility of the other land*. As against the new type of land with the new capital investment, the worst, [previously] cultivated, rent-yielding land represents *rent in general*, the non-*differential* rent. And that its rent is not higher is due to the [high] *fertility* of the rent-yielding land.

Assume that there are 3 other classes of land besides the last rent-yielding land. Class II (that above I, the last rent-yielding land) carries a rent of $^1/_5$ more because this land is $^1/_5$ more fertile than class I; class III again $^1/_5$ more because it is $^1/_5$ more fertile than class II, and the same again in class IV because it is $^1/_5$ more fertile than class III. Since the rent in class I=£10, it=10+$^1/_5$=£12 in class II, 12+$^1/_5$=£$14^2/_5$ in class III and $14^2/_5$+$^1/_5$=£$17^7/_{25}$ in class IV.

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

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

[Secondly.] The value [of the product] of the rent-yielding types of land I, II, III, IV, that is 6s. 8d. per quarter (to make it more realistic, one could say BUSHEL instead of quarter[117]), equals the *average price* of I′ and is *below* its own value. Now many intermediary stages are in fact possible. Supposing on a capital investment of £100, I′ yielded ANY QUANTITY OF QRS BETWEEN ITS REAL RETURN OF 330 BUSHELS and the RETURN of I which is 360 BUSHELS, say 333, 340, 350 *up to* 360 − x BUSHELS. Then the value of the qr at 6s. 8d. would be above the average price of I′ (per BUSHEL) and the last cultivated land would yield a rent. That it yields the *average profit* at all, it owes to the relatively low fertility of I, and therefore of I-IV. That it yields *no* rent, is due to the relatively high fertility of I and to its own relatively low fertility. The last cultivated land I′ could yield a rent if the value of the BUSHEL were *above* 6s. 8d., that is, if I, II, III, IV were less fertile, for then the value of the wheat would be greater. It could however also yield a rent if the value were given at 6s. 8d., i.e. the fertility of I, II, III and IV were *the same*. This would be the case if it were more fertile itself, yielded more than 330 BUSHELS and if the value of 6s. 8d. per qr were *thus* above its *average price*; in other words, its average price would then be *below* 6s. 8d., and therefore *below* the value of the wheat grown on I, II, III, IV. If the value is above the average price, then there is an excess profit above the average profit, hence the possibility of a *rent*.

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

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

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

Now it is possible for the value of I′ to be below 6s. 8d. per BUSHEL, the average price of I.[118] It can be assumed (although this is not quite correct), that for land I′ to be cultivated at all, demand must increase. The price of wheat from I must therefore rise *above* its *value*, above 6s. 8d., and indeed persistently so. In this case land I′ will be cultivated. If it can make the average profit at 6s. 8d. although its value is *above* 6s. 8d. and if it can satisfy demand, then the price will be reduced to 6s. 8d., since demand now again corresponds to supply, and so I must sell at 6s. 8d. again, ditto II, III, IV; hence also I′. If, on the other hand, the *average price* in I′ amounted to 7s. 8d. so that it could make the usual profit at this price only (which would be far below its individual value) and if the demand could not be otherwise satisfied, then the value of the BUSHEL would have to consolidate itself at 7s. 8d. and the price of wheat of I would rise above its value. That of II, III, IV, which is already above *their* individual value, would rise even higher. If, on the other hand, there were prospects of grain imports which would by no means permit of such a stabilisation, then I′ could nevertheless be cultivated if small FARMERS were prepared to be satisfied with less than the average profit. This is constantly happening in both agriculture and industry. Rent could be paid in this case just as when I′ yields the average profit, but it would merely be a deduction from the FARMER's profit. If this could not be done either, then the LANDLORD could lease the land to COTTIERS whose main concern, like that of the HAND-LOOM WEAVER, is to get their wages out of it and to pay the SURPLUS, large or small, to the LANDLORD in the form of rent. As in the case of the HAND-LOOM WEAVER, this SURPLUS could even be a mere deduction, not from the product of labour, but from the *wages of labour.* In all these instances rent could be paid. In one case it would be a deduction from the capitalist's profit. In the other case, the LANDLORD would appropriate the surplus labour of the worker which would otherwise be appropriated by the capitalist. And in the final case he would live off the worker's wage as the capitalists are also often wont to do. But large-scale *capitalist production* is only possible where the last cultivated land yields at least the average profit, that is where the value of I enables I′ to realise at least the average price.

One can see how the differentiation between *value* and *average price* surprisingly solves the question and shows that Ricardo and his opponents are right.[119]

[XI-490] If I, the land which yields absolute rent, were the only cultivated land, then it would sell the BUSHEL of wheat at its *value,* at 6s. 8d., or $6\,^6/_9$s. and not reduce it to the average price of $6\,^1/_9$s., or 6s. $1\,^1/_3$d. If all land were of the same type and if the cultivated area increased tenfold, because demand grew, then since I yields a rent of £10 per £100, the rent would grow to £100, although only *a single type of land* existed. But its rate or level would not grow, neither compared with the *capital advanced* nor compared with the area of *land cultivated.* Ten times as many ACRES would be cultivated and ten times as much capital advanced. This would therefore merely be an augmentation of the *RENTAL,* of the volume of rent, not of its level. The rate of profit would not fall; for the value and price of the agricultural products would remain the same. A capital which is ten times as large can naturally hand over a rent which is ten times larger than a capital which is $^1/_{10}$ its size. On the other hand, if ten times as much capital were employed on the same area of land with the same result, then the rate of rent compared with the capital laid out would have remained *the same;* it would have risen in proportion to the area of land, but would not have altered the rate of profit in any way.

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

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

A question which is to be later examined in connection with rent: How is it possible for rent to rise in *value* and in *amount*, with more intensive cultivation, although the rate of rent falls in relation to the capital advanced? This is obviously only possible because the *amount of capital advanced* rises. If rent is $^1/_5$ and it becomes $^1/_{10}$, then $20\times{}^1/_5=4$ and $50\times{}^1/_{10}=5$. That's all. But if conditions of production in intensive cultivation became the same as those prevailing on an average in industry, instead of only *approximating* to them, then rent for the least fertile land would disappear and for the most fertile it would be reduced merely to the difference in the land. *Absolute* rent would no longer exist.

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

Supposing, however, the reverse process took place: from IV to III, II, I. Then the price would rise to 6s. 8d. at which it would still yield a rent of £10 on £100 on I. For the rent of wheat on IV [amounts to] £17$^7/_{25}$ on £100, of which, however, £7$^7/_{25}$ are the excess of its price over the value of I.[a] [Category] I gave 360 qrs at £100 (with a rent of £10 and the value of the BUSHEL *at 6s. 8d.*). II—432 qrs. III—518$^2/_5$ qrs and IV—622$^2/_{25}$ qrs. But the price per qr of 6s. 8d. yielded IV an excess rent of £7$^7/_{25}$ per 100. IV sells 3 qrs for £1 or 622$^2/_{25}$ qrs at £207$^9/_{25}$. But its value is only £120, as in I; whatever is above this amount is excess of its price over its value. IV would sell the qr at its value, or RATHER the BUSHEL, if he sold it at 3s. 10$^8/_{27}$d. and at this price he would have a rent of £10 on 100. The movement from IV to III, III to II and II to I, causes the price per qr (and with it the rent) to rise until it eventually reaches 6s. 8d. with I, where this price now yields the same rent that it previously yielded with IV. The rate of profit would fall with the rise in price, partly owing to the rise in value of the means of subsistence or raw materials. The transition from

[a] See this volume, p. 330.—*Ed.*

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

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

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

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

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

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

[a] See present edition, Vol. 30, pp. 376-91, 398-403.—*Ed.*

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

Now to return briefly to the remainder of Rodbertus.

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

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

[a] First of all.—*Ed.*

[b] See this volume, p. 529.—*Ed.*

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

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

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

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

If we take society as a whole, it means that a capital of 340 [was] employed to raise *the same* product, instead of a capital of 400, that is 85% [of] capital [advanced].

[XI-493] The 1,320 BUSHELS [would] only be distributed in a different way from those in the first case. The farmer must hand over as much on 90 as previously on 100, as much on 80 as previously on 90 and as much on 70 as previously on 80. But the capital outlay of 90, 80, 70 gives him just the same amount of product as he previously obtained on 100. He hands over more, not because he must employ more capital in order to supply the same product, but because he employs less capital; not because his CAPITAL has become less productive, but because it has become more productive and he is still selling at the price of I, as though he still required the same capital as before in order to produce the same quantity of product.

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

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

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

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

It is nonsense to talk of the greater or lesser productivity of two *different* branches of industry when merely comparing the values

[a] I.e., the 1840s and 1850s.—*Ed.*

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

If, on an average, according to the conditions of production, £500 is needed in the form of raw material and machinery, etc. //at given values// in order to employ 100 workers [whose wages] amount to £100, in the cotton industry, and, on the other hand, £150 is needed for raw materials and machinery in order to employ 100 workers [whose wages] amount to £100, in the cultivation of wheat, then the variable capital in I would form $^1/_6$ of the total capital of £600, and $^1/_5$ of the constant capital; in *II*, the variable capital would constitute $^2/_5$ of the total capital of £250 and $^2/_3$ of constant capital. Thus every £100 which is laid out in I can only contain £16$^2/_3$ variable capital and must contain £83$^1/_3$ constant capital; whereas in II it comprises £40 of variable capital and £60 of constant. In I, variable capital forms $^1/_6$ or 16$^2/_3$% and in II, 40%. Clearly the histories of prices are at present quite wretched. And they can be nothing but wretched until theory shows what needs to be examined. If the rate of surplus value were given at, say, 20% then the surplus value in I would amount to £3$^1/_3$ (hence profit 3$^1/_3$%). In II, however, £8 (hence profit 8%). Labour in I would not be so productive as in II because it would be more productive (in other words, not so productive of SURPLUS VALUE, because it is MORE PRODUCTIVE OF PRODUCE). Incidentally, it is clearly only possible to have a ratio of 1:$^1/_6$, for example, in the cotton industry, if a constant capital (this depends on the machines, etc.) amounting to say £10,000 has been laid out, hence wages amounting to 2,000, making a total capital of 12,000. If only 6,000 were laid out, of which wages would be 1,000, then the machinery would be less productive, etc. At 100 it could not be done at all. On the other hand it is possible that if £23,000 is laid out, the resulting increase in the EFFICIENCY of the machinery and other economies, etc., are so great that the £19,166 $^{2}/_{3}$ is not entirely allocated to constant capital, but that more raw material and the same amount of labour require *less* machinery, etc. ([in terms of] value); on which £1,000 are assumed to have been saved. Then the ratio of variable to constant capital grows again, but only because the absolute [amount of] capital has grown. This is a CHECK against the fall in the rate of profit. Two capitals of 12,000 would produce the same quantity of commodities as the one of 23,000, but firstly the commodities would be dearer since they required an outlay of £1,000 more, and secondly the rate of profit would be smaller because within the capital of 23,000, the variable capital is $>$ than $^{1}/_{6}$ of the total capital, i.e., more than in the sum of the two capitals of 12,000.

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

"...that the draining of fens, IMPROVING of WOODS, INCLOSING of COMMONS, SOWING OF ST. FOYNE AND CLOVERGRASS, be grumbled against by LANDLORDS, AS THE WAY TO DEPRESS THE PRICE OF VICTUALS" (*Political Arithmetick*, London, 1699, p. 230). ("The rent of all ENGLAND, WALES, and the LOW-LANDS of Scotland, be about nine millions per annum) (l.c., p. 231).

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

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

"Rents may fall IN SOME PLACES, AND SOME COUNTIES, and yet the land of the nation" (he means value of the land) "IMPROVE ALL THE WHILE: As for example, when PARKS ARE DISPARKED, and forests, and COMMONS ARE TAKEN IN, AND ENCLOSED; WHEN FEN-LANDS ARE DRAINED, and when many parts" (of the country) "are meliorated by industry and MANURING, IT MUST CERTAINLY DEPRECIATE THAT GROUND

WHICH HAS BEEN IMPROVED TO THE FULL BEFORE, and was capable of no farther improvement. The income from rent of private men does thereby sink, yet the GENERAL RENT of the KINGDOM by such IMPROVEMENTS, at the same time rises" ([pp.] 26-27). "Fall in PRIVATE RENTS from 1666 to 1688 but the RISE IN THE KINGDOM'S GENERAL RENTAL was greater IN PROPORTION during that time, than in the preceding years, because THE IMPROVEMENTS UPON LAND WERE GREATER AND MORE UNIVERSAL, BETWEEN THOSE TWO PERIODS, THAN AT ANY TIME BEFORE" (D'Avenant, *Discourses on the Publick Revenues etc.*, PART II, London, 1698, [p.] 28).[a]

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

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

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

[a] Marx quotes D'Avenant with some alterations.—*Ed.*

[b] [J. Anderson,] *An Enquiry into the Nature of the Corn Laws...*, Edinburgh, 1777.—*Ed.*

[c] A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations.* In two volumes, London, 1776.—*Ed.*

[d] The reference is to the edition of 1799-1802.—*Ed.*

which appeared in 1815 were published forthwith as independent *theoretical* inquiries into the nature of rent, as the very titles of the respective works of West and Malthus show: Malthus: *An Inquiry into the Nature and Progress of Rent*; West: *Essay on the Application of Capital to Land.*

Furthermore, Malthus used the Andersonian theory of rent to give his population law, for the first time, both an economic and a real (natural-historical) basis, while the nonsense about geometrical and arithmetical progression borrowed from earlier writers, was a purely imaginary hypothesis. MR. Malthus AT ONCE "IMPROVED" THE matter. *Ricardo* even made this doctrine of rent, as he himself says in his preface,[a] one of the most important LINKS in the whole system of political economy and—quite apart from the practical aspect—gave it an entirely new theoretical importance.

Ricardo evidently did not know Anderson since, in the preface to his political economy, he treats West and Malthus as the originators. Judging by the original manner in which he presents the law, *West* was possibly as little acquainted with Anderson as Tooke was with Steuart. With Mr. Malthus it is different. A close comparison of his writings shows that he knows and uses Anderson. He was in fact *plagiarist* by [XI-496] profession. One need only compare *the first edition* of his work on POPULATION[b] with the work of the REVEREND Townsend which I have quoted previously,[123] to be convinced that he does not work him over as an independent producer, but copies him and paraphrases him like a slavish plagiarist, although he *does not mention* him *anywhere by name* and *conceals* his existence.

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

[a] To *On the Principles of Political Economy*..., p. VI.—*Ed.*

[b] [T. R. Malthus,] *An Essay on the Principle of Population*..., London, 1798.—*Ed.*

these interests diverge and are antagonistic to each other, he sides with the aristocracy against the bourgeoisie. Hence his defence of the "*unproductive* worker", over-consumption, etc.

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

What then did Malthus do?

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

[a] See this volume, p. 372.—*Ed.*

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

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

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

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

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

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

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[a] This wretch.—*Ed.*

[b] [T. R. Malthus,] *An Essay on the Principle of Population...*—*Ed.*

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

His writings of 1815, on protective tariffs and rent,[a] were partly means to confirm the earlier apology of the poverty of the producers, in particular, however, to defend reactionary landed property against "enlightened", "liberal" and "progressive" capital, and especially to justify an intended *retrogressive step* in English legislation in the interests of the aristocracy against the industrial bourgeoisie.[124] Finally, [XI-498] his "PRINCIPLES OF POLITICAL ECONOMY" directed *against* Ricardo had essentially the purpose of reducing the absolute demands of "industrial capital" and the laws under which its productivity develops, to the "desirable limits" "favourable" to the existing interests of the landed aristocracy, the "ESTABLISHED CHURCH" (to which Malthus belonged), government pensioners and consumers of taxes. But when a man seeks to *accommodate* science to a viewpoint which is derived not from science itself (however erroneous it may be) but from *outside*, from *alien, external interests*, then I call him "*base*".

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

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

[a] T. R. Malthus, *The Grounds of an Opinion on the Policy of Restricting the Importation of Foreign Corn...*, London, 1815, and idem, *An Inquiry into the Nature and Progress of Rent...*, London, 1815.—*Ed.*

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

The hatred of the English working classes for Malthus—the "*MOUNTEBANK-PARSON*" as Cobbett *rudely* called him (Cobbett, though England's greatest *political* writer of this century, lacked the Leipzig professorial scholarship[125] and was a pronounced enemy of the "LEARNED LANGUAGE")—was thus fully justified and the people's INSTINCT was correct here, in that they felt he was no *homme de science*, but a bought advocate[a] of their opponents, a shameless sycophant of the ruling classes.

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

Because the first edition of Malthus' work *On Population* contains not a single *new* scientific *word*, it is to be regarded purely as an obtrusive Capuchin's sermon, an Abraham a Santa Clara version of the discoveries of Townsend, Steuart,[126] Wallace, Herbert, etc. Since in fact it only wants to impress by its *popular* form, *popular* hatred rightly turns against it. As compared to the wretched bourgeois economists who preach harmony, Malthus' only merit lies in his pointed emphasis on the disharmonies, which, though none of them were *discovered* by him, were all emphasised, amplified and publicised by him with complacent sacerdotal cynicism.

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

"In the next chapter the *Struggle for Existence* amongst all organic beings throughout the world, which inevitably follows from the high geometrical ratio of

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[a] In the manuscript a word "plaideur" is written above this word.—*Ed.*

their increase, will be treated of. This is the doctrine of *Malthus*, applied to the whole animal and vegetable kingdoms" [pp. 4-5].

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

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

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

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

"The law of 1773 was constructed," says Anderson, "with the *AVOWED* INTENTION of lowering the price of corn to our MANUFACTURERS, by ENCOURAGEMENT OF FOREIGN IMPORTATION to place our own people AT A CHEAPER RATE" (*A Calm Investigation of the Circumstances that Have Led to the Present Scarcity of Grain in Britain*, London, 1801, p. 50).

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

[a] J. R. McCulloch, *The Literature of Political Economy...*, London, 1845.—*Ed.*

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

"Remarkable, how a doctrine, which in 1777 remained *almost* unnoticed, was immediately defended and attacked with the greatest interest in 1815 and the following years because it touched upon the contradiction between MONIED and LANDED INTEREST which had meanwhile so sharply developed" (*Die Grundlagen der Nationalökonomie*, 3rd edition, 1858, [pp.] 297-98).

This sentence contains as many falsehoods as words. Firstly, unlike West, Malthus and Ricardo, Anderson did not put forward his opinion as a "*doctrine*". Secondly, it remained not "*almost*", but "*entirely*" unnoticed. Thirdly, it first came in incidentally in a work whose sole *purpose* it was to deal with the contradiction between MANUFACTURERS and LANDLORDS—a contradiction which was considerably developed in 1777—and the work only "touched upon" this practical battle of interests and left "untouched" the general [XI-500] theory of political economy. *Fourthly*, in 1815 one of the reproducers of this theory, Malthus, expounded it just as much in support of the CORN LAWS as Anderson had done. *The same* doctrine was used *in support* of landed property by its discoverer and [by] Malthus, but was turned *against* landed property by Ricardo. Thus, at most, one might say that some of those who put it forward were *defending* the interests of landed property while others who put it forward *fought* those same interests, but one could not say that this theory was attacked by the defenders of landed property in 1815 (for Malthus defended it before *Ricardo*), or that it was *defended* by the attackers of landed property (for Ricardo did not have to "defend" this theory against Malthus, since he himself regarded Malthus as one of its discoverers and as his own forerunner. He only had to "combat" the practical conclusions that were drawn by Malthus). *Fifthly*, the contradiction between "*MONIED*" and "*LANDED INTEREST*", "touched upon" by Wilhelm Thucydides Roscher, had, up to that moment, *absolutely nothing* to do either with Anderson's theory of rent or with its reproduction, defence and attack. As Wilhelm Thucydides could have gathered from John Stuart Mill (*Essays on Some Unsettled Questions of Political Economy*, London, 1844, pp. 109-10), by "MONIED CLASS" the Englishman understands 1) the money-lenders; and 2) these money-lenders are people who either live altogether on interest or are *money-lenders by profession*, such as bankers, bill-brokers, etc. Mill also observes that all these people who form the "MONIED CLASS" are opposed to, or at any rate are distinct from, the "*PRODUCING CLASS*" (by which Mill understands "industrial capitalists" BESIDES THE WORKING MEN). Hence Wilhelm Thucydides should see that the interests of the "PRODUCING CLASS", including the MANUFACTURERS, the INDUSTRIAL CAPITALISTS, and the interests of the MONIED CLASS are two very different matters and that these classes are different classes. Furthermore, Wilhelm Thucydides should see that a battle between the INDUSTRIAL CAPITALISTS and the LANDLORDS was thus by no means a battle between the "*MONIED* INTEREST" and the "*LANDED* INTEREST". If Wilhelm Thucydides knew the history of the corn laws of 1815 and the struggle over these, then he would already have known from Cobbett that the BOROUGH-MONGERS (LANDED INTEREST) and the LOAN-MONGERS (MONIED INTEREST) combined against the INDUSTRIAL INTEREST. But Cobbett is "crude". Furthermore, Wilhelm Thucydides should know from the history of 1815 to 1847 that in the battle over the corn laws, the majority of the MONIED INTEREST and some even of the COMMERCIAL INTEREST (Liverpool for instance) were to be found amongst the *allies* of the LANDED INTEREST against the MANUFACTURING INTEREST.[a]

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

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

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[a] See this volume, p. 356.—*Ed.*

[b] "The work surpasses the material" (Ovid, *Metamorphoses*, II, 5).—*Ed.*

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

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

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

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

With free IMPORT OF CORN, "*LAND IS ABANDONED*" (l.c., [p.] 46). In other words landed property is sacrificed to the development of production.

With the same free import of corn however:

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

[a] W. Roscher, *Die Grundlagen der Nationalökonomie: System der Volkswirtschaft*, 3rd ed., Vol. I, Stuttgart and Augsburg, 1858, p. 191.—*Ed.*

want is *an abundance of commodities*"* (wealth in general) *"and if it could be proved that by *the sacrifice of a part of our capital we should augment the annual produce*[a] of those objects which contribute to our enjoyment and happiness, we ought not to repine *at the loss of a part of our capital*"* (*On Protection to Agriculture*, 4TH ED., London, 1822, [p.] 60).

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

"To an individual with a capital of £20,000, whose profits were £2,000 per annum, it would be a matter quite indifferent whether his capital would employ a hundred or a thousand men, whether the commodity produced, sold for £10,000, or for £20,000, provided, in all cases, his profits were not diminished below £2,000. Is not the real interest of the nation similar? Provided its net real income, its rent and profits be the same, it is of no importance whether the nation consists of 10 or of 12 millions of inhabitants" (*Principles of Political Economy*, 3RD ED., p. 416).

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

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

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

[a] Here Marx gives a German equivalent in parentheses.—*Ed.*

differential rent.[a] Here rent is purely the excess of the *average market price* of the product over its *individual average price.*//

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

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

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

If *the same* labour yields 1 qr on unfertile land and 3 on fertile (in a good or a bad year alike); if the same labour yields 1 oz of gold in land very rich in gold whereas in less rich or exhausted land it yields only $^1/_3$ oz; if the same labour time which produces 1 lb. of wool spins 3 lbs of wool, then, *d'abord,* the values of the 1 qr and the 3 qrs, of the 1 oz of gold and the $^1/_3$ oz, of the 1 lb. of wool and the 3 lbs of woollen yarn (minus the value of the wool it contains) are of equal magnitude. They contain equal quantities of labour time, therefore, according to the assumption, *equal quantities* of surplus labour time. True, the quantity of surplus labour embodied in the 1 qr is greater, but then it is only 1 qr whereas in the other case it is 3 qrs, or 1 lb. of wool whereas in the other case it is 3 lbs of woollen yarn (minus the value of the material). The *volume* is therefore the same, and the *proportional quantity of surplus value,* comparing the individual commodities one with another, [is] also equal. According to the assumption, the amount of labour contained in the 1 qr or the 1 lb. of wool, is the same as that contained in the 3 qrs or the 3 lbs of yarn. The capital laid out in wages is therefore greater to exactly the same

[a] See Th. Hopkins, *Economical Enquiries Relative to the Laws which Regulate Rent, Profit, Wages, and the Value of Money,* London, 1822, pp. 37, 38, and also this volume, p. 368.—*Ed.*

degree as the surplus value. The 1 lb. of wool contains 3 times as much labour as the 1 lb. of yarn. Though the surplus value is 3 times as great, the capital laid out in wages on which it is based is also 3 times as great. The proportion thus remains *the same.*

Rodbertus calculates quite wrongly here, or wrongly compares the capital laid out in *wages* with the [XI-503] greater or lesser *quantity* of commodities which these wages represent. But this calculation is completely wrong, if, as he *presupposes, wages* or the *rate of surplus value* are *given.* The same *quantity of labour,* say, 12 hours, may result in x or $3x$ commodities. In one case, $1x$ commodities contain as much labour and surplus labour as $3x$ in the other; but in *no* case would more than 1 working day be spent and in no case would the rate of surplus value be more than, say, $^1/_5$. In the first instance $^1/_5$ of the one x would be to x as in the 2nd $^1/_5$ of the $3x$ would be to $3x$. And if we were to call each of the three x: x', x'', x''', then there would be $^4/_5$ paid and $^1/_5$ unpaid labour in each x', x'', x'''. It is quite right, on the other hand, that if *just as much commodity* were to be produced under the unproductive conditions as under *more productive,* the commodity would contain more labour and so also more surplus labour. But then, proportionately, a greater capital would also have to be laid out. In order to produce $3x$, three times as much capital would have to be laid out (in wages) as is required to produce $1x$.

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

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

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

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

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

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

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

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

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

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

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

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

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

For Ricardo the problem only exists because value is determined by labour time. With those fellows this is not the case. According to Roscher, nature *as such* has value. See later.[130] In other words, he has absolutely no idea what value is. What prevents him therefore from allowing the *value of land* to enter into production costs from the outset and to form the rent; what prevents him from presupposing the value of land, i.e., rent, as an explanation for rent?

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

One can see how little reason Wilhelm Thucydides had for getting so well-meaningly "vexed" over the Ricardian theory.

But apart from absolute rent, the following question remains for Ricardo:

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

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

So far as *DEPRECIATION* is concerned, assume that £1 now=£2. A qr of wheat which was previously equal to £2 is now equal to

£4. If the industrial product fell to $^1/_{10}$, and previously its value was 20s., then it would be now 2s. But these 2s. are now equal to 4s. True, DEPRECIATION could have something to do with this, the poor harvests as well.

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

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

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

I) *AVERAGE WHEAT PRICES*

	YEARLY AVERAGE PRICE	Highest Price	Lowest [Price]
1641-49	60s. $5^2/_3$d.		
1650-59	45s. $8^9/_{10}$d.	68s. 1d. (1650)	23s. 1d. (*1659*)
1660-69	44s. 9d.	65s. 9d. (*1662*)	*32s.* 0d. (1666 & 1667)
1670-79	44s. $8^9/_{10}$d.	*61s.* 0d. (1674)	*33s.* 0d. (1676)
1680-89	35s. $7^8/_{10}$d.	*41s. 5d.* (1681)	*22s. 4d.* (1687)
1690-99	50s. $^4/_{10}$d.	63s. 1d. (*1695*)	30s. 2d. (*1691*)

If we take the period *1650 to 1699* then the (yearly) average price for these 50 years is *44s. $2^1/_5$d.*

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

II) *The* HIGHEST *and lowest prices in each DECENNIAL PERIOD*

		HIGHEST	LOWEST
1700-1709	35s. $^1/_{10}$d.	69s. 9d. (*1709*)	*25s. 4d.* (1707)
1710-1719	43s. $6^7/_{10}$d.	69s. 4d. (*1710*)	*31s. 1d. (1719)*
1720-1729	37s. $3^7/_{10}$d.	48s. 5d. (1728)	*30s. 10d. (1723)*
1730-1739	31s. $5^5/_{10}$d.	58s. 2d. (*1735*)	23s. 8d. (*1732*)
1740-1749	31s. $7^9/_{10}$d.	45s. 1d. (*1740*)	22s. 1d. (1743 & 1744)

Average price (yearly) for the 50 years [from] *1700 to 1749*: *35s. $9^{29}/_{50}$d.*

[XI-508] III) *The* HIGHEST AND LOWEST PRICES *in each* DECENNIAL PERIOD

		HIGHEST	LOWEST
1750-1759	36s. $4^5/_{10}$d.	53s. 4d. (*1757*)	28s. 10d. (1750)
1760-1769	40s. $4^9/_{10}$d.	53s. 9d. (1768)	26s. 9d. (1761)
1770-1779	45s. $3^2/_{10}$d.	52s. 8d. (*1774*)	33s. 8d. (*1779*)
1780-1789	46s. $9^2/_{10}$d.	52s. 8d. (*1783*)	35s. 8d. (*1780*)
1790-1799	57s. $6^5/_{10}$d.	78s. 7d. (*1796*)	43s. 0d. (*1792*)

Yearly AVERAGE *for the 50 years [from] 1750 to 1799: 45s.* $3^{13}/_{50}$*d.*

IV) *The* HIGHEST AND LOWEST YEARLY AVERAGE PRICES *in each* DECENNIAL PERIOD

		HIGHEST	LOWEST
1800-1809	84s. $8^5/_{10}$d.	*119s. 6d.* (*1801*) *113s. 10d.* (1800)	*58s. 10d.* (1803)
1810-1819	91s. $4^8/_{10}$d.	126s. 6d. (*1812*) *109s. 9d.* (*1813*) *106s. 5d.* (*1810*)	65s. 7d. (*1815*) *74s. 4d.* (*1814*) *74s. 6d.* (1819)
1820-1829	58s. $9^7/_{10}$d.	68s. 6d. (*1825*)	44s. 7d. (*1822*)
1830-1839	56s. $8^5/_{10}$d.	66s. 4d. (*1831*)	39s. 4d. (*1835*)
1840-1849	55s. $11^4/_{10}$d.	69s. 5d. (1847)	44s. 6d. (*1849*)
1850-1859	53s. $4^7/_{10}$d.	74s. 9d. (*1855*)	40s. 4d. (*1850*)

YEARLY AVERAGE *for the 50 years [from] 1800 to 1849: 69s.* $6^9/_{50}$*d.*
YEARLY AVERAGE *for the 60 years [from] 1800 to 1859: 66s.* $9^{14}/_{15}$*d.*

Hence YEARLY AVERAGES:

1641-1649	*60s.*	$5^2/_3$d.
1650-1699	*44s.*	$2^1/_5$d.
1700-1749	*35s.*	$9^{29}/_{50}$d.
1750-1799	*45s.*	$3^{13}/_{50}$d.
1800-1849	69s.	$6^9/_{50}$d.
1850-1859	*53s.*	$4^7/_{10}$d.

West says himself:

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

Hopkins grasps correctly the difference between *absolute* and *differential rent*:

"The PRINCIPLE OF COMPETITION renders impossible 2 RATES OF PROFIT in the same country, and this determines the *RELATIVE RENTS* but not the *GENERAL*

AVERAGE OF RENT" (Thomas Hopkins, *On Rent of Land, and Its Influence on Subsistence and Population*, London, 1828, p. 30).[131]

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

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

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

"In Ireland, according to a moderate estimate and the CENSUS of 1821, the WHOLE NET PRODUCE which goes to the LANDLORDS, the GOVERNMENT AND the TITHE-OWNERS, amounts to £$20^3/_4$ million, the WHOLE WAGES, however, only to £14,114,000" (Hopkins, l.c., [p.] 94).[b]

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[a] Marx mistakenly wrote "508" on two pages; later he added "a" on the second page.—*Ed.*

[b] Marx quotes Hopkins with some alterations.—*Ed.*

"The CULTIVATORS IN ITALY generally paying from 1/2 to more than 1/2 of the PRODUCE as rent to the LANDLORD, with MODERATE SKILL IN AGRICULTURE, and A SCANTY SUPPLY OF FIXED CAPITAL. The greater part of the POPULATION is composed of SECONDARY PRODUCERS and LANDLORDS and GENERALLY THE PRIMARY PRODUCERS ARE A POOR AND DEGRADED CLASS" (p[p. 101-]02).

"The same was the CASE in France under Louis XIV. According to Young, rent, TITHES and TAXES amounted to £140,905,304. Cultivation moreover was very poor. The POPULATION of France, at that time, is stated to have been 26,363,074. Now if there had been 6 MILLIONS OF LABOURING POPULATION (which is too high a figure), each FAMILY would have had to furnish annually, either directly or indirectly, AN AVERAGE of ABOUT £23 OF NET WEALTH TO THE LANDLORDS, THE CHURCH AND THE GOVERNMENT. According to Young, and taking into account various other factors, the labouring family produced annually £42 10s.; £23 of which were PAID AWAY TO OTHERS, and £19 10s. REMAINED TO SUBSIST ITSELF" (l.c., [pp.] 102-04).[a]

The dependence of population on capital.

*"The error of Mr. Malthus and his followers is to be found in the assumption, that a reduction of the labouring population would *not* be followed *by a correspondent reduction of capital*!"* (l.c., [p.] 118.) "Mr. Malthus forgets that the DEMAND [for labourers IS] LIMITED BY THE *MEANS OF PAYING WAGES* and that these MEANS DO NOT ARISE SPONTANEOUSLY, BUT ARE ALWAYS *PREVIOUSLY CREATED BY LABOUR*" (l.c., [p.] 122).

This conception of the *accumulation of capital* is correct. But the MEANS can grow, i.e., the quantity of surplus PRODUCE or surplus LABOUR can grow, without a proportionate growth in the quantity of labour.

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

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

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

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

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

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

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

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[a] Here Marx summarises Hopkins' ideas.—*Ed.*

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

"Of course one must not take the CASE WHERE LAND SO PLENTIFUL, *COMPARED WITH THE LABOUR AND STOCK TO BE EMPLOYED UPON IT*, //ABUNDANCE OR SCARCITY OF LAND are of course *relative*, and are related to the DISPOSABLE QUANTITY OF LABOUR AND CAPITAL// THAT NO CHARGE FOR RENT COULD BE MADE, BECAUSE IT WAS NOT SCARCE" (l.c., [p.] 21).

"The LORD may obtain in some countries 50%, in others not 10.[a] In the fertile regions of the East, MAN CAN SUBSIST UPON $^1/_3$ of the PRODUCE OF HIS LABOUR EMPLOYED UPON THE LAND; BUT IN PARTS OF SWITZERLAND AND NORWAY, AN EXACTION OF 10% MIGHT DEPOPULATE THE COUNTRY ... WE SEE NO *NATURAL* BOUNDS TO THE RENT THAT MAY BE EXACTED, BUT IN THE LIMITED ABILITIES OF THE PAYERS" ([p.] 31), and "WHERE INFERIOR SOILS EXIST, *THE COMPETITION OF THOSE INFERIOR SOILS AGAINST THE SUPERIOR*" ([pp.] 33-34).

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

This is a very important circumstance in relation to rent, especially when the population suddenly grows significantly, as it did from 1780 to 1815, consequent upon the advance in industry, and hence a large portion of hitherto uncultivated land is *suddenly* brought into cultivation. The newly cultivated land may be as fertile as or even more fertile than old land was, *before centuries of cultivation* had accumulated in it. But what is demanded of the new land—if it [this product] is not to be sold at a *dearer* price—is that its fertility must be equal *firstly* to the natural fertility of the cultivated [XI-510] land+*secondly* to the *artificial fertility* which has been engendered by cultivation, but which has now *become* its *natural fertility*. The newly cultivated land would thus have to be much more fertile than the old had been *before* its cultivation.

But it will be said:

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

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[a] Hopkins has: "in others 10 per cent".—*Ed.*

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

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

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

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

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[a] See this volume, pp. 363-64.—*Ed.*

cultivated AT A GIVEN MOMENT OR DURING A GIVEN PERIOD. A rise in price on the cultivated land here indicates a *growth in population* and hence an excess in price; on the other hand, the same increase in demand brings about THE CULTIVATION OF FRESH SOIL. If *proportionately* the amount [of cultivated land] has greatly increased, then the rising price, and the *higher price* than in the early period merely shows that a large part of the *costs of bringing land into cultivation* enters into the ADDITIONAL QUANTITY OF FOOD CREATED. If the price had not risen, this CREATION would not have taken place. *Its effect*, a fall in price, can only come into evidence later, because the price of the RECENTLY CREATED FOOD comprises *an element of the cost of production or price, that has long become extinct in the older applications of capital to land, or in the older portions of cultivated soil. The difference would be even greater if, consequent upon the increased productivity of labour, the cost of appropriating soil to cultivation, had not greatly fallen, as compared to the costs of cultivation in former, bygone periods.

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

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

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

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

If the relative quantity of the newly cultivated soil is different in different periods, then even a *constant or rising price* does not prove that the new soil is unfertile or yields *less produce,* but only that an element of cost WHICH HAS BECOME EXTINCT IN THE OLD CULTIVATED SOILS enters into the value of the products of the newly cultivated land. This new element of cost moreover remains, although under the new conditions of production, the costs of bringing new soil into cultivation have fallen considerably, compared with the costs of BRINGING the old soil FROM ITS *ORIGINAL, NATURAL* STATE OF FERTILITY TO ITS PRESENT STATE. It is therefore necessary to establish the *relative proportion* of ENCLOSURES during the different [XI-512] periods.[132]

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

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

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

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[a] See this volume, pp. 363-64.—*Ed.*

is at a considerably higher level than that of *1700-1749* and that of *1750-1799.* The latter is higher than that of 1700-1749 and lower than that of 1800-1849 (or 1859).

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

IN FACT, compared with the DECENNIAL PERIOD OF 1641-1649, there is, on the whole, a continuous fall in DECENNIAL AVERAGE PRICES, until this fall reaches its *peak* (*lowest point*) in the last two DECENNIAL PERIODS of the first half of the 18th century.

From the middle of the 18th century onwards, an upward movement takes place. It commences from a price (36s. $4^{5}/_{10}$d. 1750-1759), which is lower than the 50 years' average price of the second half of the 17th century and approximately corresponds [to or is] a little higher than the average price of the 50 year period 1700-1749 (35s. $9^{29}/_{50}$d.), the *first* half of the 18th century. This upward movement continues at an increasing pace in the 2 DECENNIAL PERIODS 1800-1809 and 1810-1819. In the latter it reaches its ACME. From that point on, the consistent downward movement begins again. If we take the average of the period of rise from 1750 to 1819, then its average price (a little over 57s. per qr) [is] equal to the starting-point of the period of fall from 1820 (namely a little over 58s. for the DECENNIAL PERIOD 1820-1829); just as the starting-point for the 2nd half of the 18th century [equals] the average price of its first half.

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

If one deducts the differential costs for the capital successively employed in bringing new land into cultivation, which FOR A CERTAIN PERIOD ENTERS AS AN ITEM INTO COST, then perhaps the prices of 1820-1859 [would be] lower than ANY of the earlier ones. And this to some extent may well be the notion of those blockheads who explain rent as interest for fixed capital sunk into the soil.[a]

Anderson says in:

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[a] Marx has in mind Carey first of all.—*Ed.*

A Calm Investigation of the Circumstances that Have Led to the Present Scarcity of Grain in Britain, London, 1801:

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

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

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

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

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

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

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

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

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

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

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

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[a] A reference to the Malthusian theory of population.— *Ed.*

//Rent has thus nothing to do with the *absolute* productivity of agriculture.//

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

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

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

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

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

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

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

[b] McCulloch quotes from *An Enquiry into the Nature of the Corn Laws*...—*Ed.*

Anderson says expressly that a definite *market price equal* for equal quantities of produce that have been produced under more favourable or less favourable conditions of production, is the prerequisite for this formation of rent. He says that a surplus profit or excess of profit from the better types of soil over that from the worse, necessarily follows "*IF AN EQUAL QUANTITY OF CORN*, THE PRODUCE OF *EACH* FIELD, CAN BE SOLD *AT THE SAME PRICE*", i.e., if a general market price is presupposed.

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

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

On the one hand, the progress in the productivity OF GENERAL LABOUR makes it easier to bring land into cultivation; on the other hand, cultivation increases the diversity of SOILS, in that the ORIGINAL FERTILITY of land A which is cultivated and land B which is not, may have been the same if we deduct from A's FERTILITY that part which, though it is now inherent in it, had previously been added *artificially*. Thus cultivation itself increases the DIVERSITY OF NATURAL FERTILITY BETWEEN CULTIVATED AND WASTE LANDS.

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

"WHERE THERE ARE TWO FIELDS, THE PRODUCE OF WHICH IS NEARLY AS ABOVE STATED, namely the one yielding 12 BUSHELS REMUNERATING THE EXPENSE, the other 20, WITHOUT REQUIRING ANY *IMMEDIATE OUTLAY FOR THEIR IMPROVEMENT*, THE FARMER WOULD PAY EVEN MORE RENT THAN 6 BUSHELS FOR INSTANCE FOR THE LATTER while [he would pay] none for the former. If 12 BUSHELS are JUST SUFFICIENT FOR THE EXPENSE OF CULTIVATING, NO RENT WHATEVER CAN BE AFFORDED FOR *CULTIVATED* LAND THAT YIELDS ONLY 12 BUSHELS" (*Essays Relating to Agriculture and Rural Affairs*, VOL. III, Edinburgh and London, 1775-1796, pp. 107-09).[a]

Then he immediately goes on to say:

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

Supposing therefore the produce of the best CULTIVATED land is 20 BUSHELS per ACRE. Of this, according to the assumption, 12 BUSHELS

[a] This is Marx's summary of pages 107-09 of Anderson's book; some passages are quoted word for word.—*Ed.*

pay the EXPENSES (ADVANCES+average profit). Then it *can* pay 8 BUSHELS as rent. Assume that the BUSHEL=5s., then 8 BUSHELS or 1 qr=40s. or £2 and 20 BUSHELS=£5 ($2^1/_2$ qrs). Of these £5, 12 BUSHELS or 60s. which=£3, is EXPENSES. Then it pays a rent of £2 or 8 BUSHELS. If the rate of profit=10%, then of the £3 EXPENSES the outlay=$54^6/_{11}$s. and the profit=$5^5/_{11}$s. ($54^6/_{11}$:$5^5/_{11}$=100:10). Now supposing, the FARMER had to carry out various improvements on waste land, which is just as fertile as that yielding 20 BUSHELS had been *originally*, in order TO BRING IT INTO SUCH A STATE OF CULTIVATION AS APPROPRIATE TO THE GENERAL STATE OF AGRICULTURE. Apart from the outlay of $54^6/_{11}$s., or, if we reckon the profit in with the EXPENSES, apart from 60s., this may involve a further outlay of $36^4/_{11}$; then 10% on this would=$3^7/_{11}$, and if the FARMER always sold 20 BUSHELS at 5s. he could pay a rent only after 10 years, only after the reproduction of his capital. From then on the artificially created fertility of the land would be reckoned as original and would fall to the LANDLORD.

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

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

2) That after a certain LAPSE OF TIME, this artificial FERTILITY appears as the ORIGINAL PRODUCTIVITY of the SOIL itself, in that the SOIL itself has been transformed and the process by which this transformation has been accomplished, has disappeared and is no longer visible.

[XI-515] If today I build a COTTON MILL for £100,000, I get A MORE EFFICIENT MILL than my predecessor who set one up 10 years ago. I do not pay for the difference between productivity in machine-building, building in general, etc., of today and of 10 years ago; on the contrary. It enables me to pay *less* for a MILL of the same EFFICIENCY or only *the same* for a MILL of higher EFFICIENCY. In agriculture it is different. The difference between the ORIGINAL FERTILITIES OF [THE] SOILS IS MAGNIFIED BY THAT PART OF THE SO-CALLED NATURAL

FERTILITY OF THE SOIL WHICH, IN FACT, HAS BEEN ONCE *PRODUCED* BY MEN, BUT HAS NOW BECOME INCORPORATED in THE SOIL AND IS NO LONGER TO BE DISTINGUISHED FROM ITS ORIGINAL FERTILITY. Owing to the development of the productive power OF GENERAL LABOUR, it costs less to raise uncultivated soil of the same original fertility to the *improved* level of fertility, than it COST TO BRING THE ORIGINAL FERTILITY OF THE CULTIVATED SOIL TO ITS NOW APPARENTLY ORIGINAL FERTILITY, BUT some expenditure IS STILL REQUIRED TO BRING THAT EQUALISATION ABOUT. The average price of the new product is consequently higher than that of the old, the difference between market price and average price is thus smaller and may disappear completely. But supposing, in the above case, the newly cultivated soil is so fertile, that after the ADDITIONAL EXPENSE OF 40s. (including profit) it yields 28 BUSHELS instead of 20. In this case the FARMER could pay a rent of 8 BUSHELS OR £2. And why? Because the newly cultivated soil yields 8 BUSHELS more than the old, so that despite the higher average price, with the same market price, it yields just as much in EXCESS OF the PRICE. If it had involved no EXTRA EXPENSE, its fertility would be double that of the old land.[135] With this EXPENSE it is the same as that of the old land.

NOW BACK TO RODBERTUS, DEFINITIVELY AND FOR THE LAST TIME

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

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

[a] More or less, with the necessary alterations.—*Ed.*

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

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

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

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

[a] Julius Hermann von Kirchmann.—*Ed.*

[b] [J. K.] Rodbertus, *Sociale Briefe an von Kirchmann.* Dritter Brief, p. 162.—*Ed.*

[c] See present edition, Vol. 30, pp. 402-51.—*Ed.*

[d] See this volume, pp. 204-40.—*Ed.*

[e] Original and annual advances.—*Ed.*

replaces the advances of the sterile class (the transformation of this raw material into machines of course devolves on the sterile class), while, on the other hand, the AGRICULTURISTS replace a part of their own advances (seeds, cattle for breeding and draught animals, fertiliser, etc.) from their product and get a part, machinery, etc., replaced by the sterile class in exchange for raw material.

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

The only participants in the *value* of the manufactured product, in so far as it comprises revenue and in so far as the manufacturer does not pay a rent, be it for land on which the buildings stand or for waterfalls, etc., are the *capitalist and the wage labourer. The value of the agricultural produce* is generally divided between three. This Mr. Rodbertus also admits. The manner in which he explains this phenomenon does not in any way alter this FACT. It is entirely in accord with the standpoint of capitalist production that the other economists, especially Ricardo, start from a *division into two*, between capitalist and wage labourer, and only bring in the landowner who draws rent at a later stage, as a special SUPERFETATION. Capitalist production is based on the antithesis of two [XI-517] factors, objectified labour and living labour. Capitalist and wage labourer are the sole functionaries and factors of production whose relationship and confrontation arise from the nature of the capitalist mode of production.

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

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

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[a] J. Mill, *Elements of Political Economy*, London, 1821, p. 148.—*Ed.*

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

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

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

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

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

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

He continues forthwith:

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

He is concerned here with the distribution of the "*WHOLE PRODUCE*", not the manufactured product or the raw product. If this "WHOLE PRODUCE" is taken as given, these shares in the "WHOLE

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

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

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

"Could it be true that *before* any cultivation takes place at all, capitalists already exist who receive a profit and invest their capital according to the law of profit equalisation?" (HOW VERY SILLY!) "...I admit, that if today an expedition from the civilised countries set out to a [XI-519] new, uncultivated land, an expedition in which the wealthier participants were equipped with supplies and tools—capital—from an old established culture and the poorer ones came along with a view to winning a high wage in the service of the former, then the capitalists would regard as their gain that which remains to them over and above the wages of the workers for they bring with them from their mother country things and ideas which have long been in existence there" ([pp.] 174-75).

Well, here you have it, Mr. Rodbertus. Ricardo's whole conception is only appropriate to the presupposition that the capitalist mode of production is the predominant one. How he expresses this *presupposition*, whether he commits a historical *hysteron proteron*,[a] is irrelevant to the theory. The *presupposition* must be made, and it is therefore impossible to introduce, as you are doing, the peasant, who does not understand capitalist book-keeping and hence does not reckon seeds, etc., as part of the capital advanced! The "absurdity" is introduced not by Ricardo but by Rodbertus, who assumes that capitalists and workers exist "*before* cultivation of the land" ([p.] 176).

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

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

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

To comprehend Ricardo's conception Rodbertus would have to be an Englishman instead of a Pomeranian landowner and would have to understand the history of the ENCLOSURE OF COMMONS and WASTE LAND. Mr. Rodbertus cites America. There the State sells the land

"in lots, first to the cultivators at a low price, it is true, but one which must *at all events* already represent a rent" ([pp.] 179-80).

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

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

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[a] Inversion of natural order.—*Ed.*

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

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

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

Worthy Pomeranian! Why do you always transfer your Prussian situation to England in a disparaging manner? The Englishman does not reckon that, if, as was the case (this to be looked up), 3 to 4 million ACRES were "ENCLOSED" between 1800 and 1830,[136] the rent on these 4 million ACRES was calculated before 1830 as well and also in 1800. Rather they were WASTE LAND OR COMMONS which bore no rent and did not belong to anybody.

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

A very large number of the objections which Rodbertus raises against Ricardo arise from the naïve manner in which he identifies the "Pomeranian" conditions of production with the "English".

Ricardo presupposes capitalist production to which, where it is in fact carried out, as in England, corresponds the separation of the FARMING CAPITALIST from the LANDLORD. Rodbertus introduces circumstances which are in themselves alien to the capitalist mode of production, which has merely been built upon them. For instance, what Mr. Rodbertus says about the position of economic CENTRES in economic complexes applies perfectly to Pomerania but not to England, where the capitalist mode of production has become increasingly pre-eminent since the last third of the 16th century, where it has assimilated all the conditions and in different periods has progressively sent historical preconditions, villages, buildings and people, to the devil, in order to secure the "most productive" investment for capital.

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

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

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

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

I have already given a correct explanation of modern landed property:

"Rent, in the Ricardian sense, is property in land in its bourgeois state, that is, feudal property which has become subject to the conditions of bourgeois production" (*Misère de la Philosophie*, Paris, 1847, [p.] 156.)[a]

Similarly I have already correctly observed:

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

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

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

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

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

Rodbertus says:

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

Anderson already said cultivation improves the land.

"You would have to prove that the working population engaged in agriculture had, in the course of time, increased to a greater degree than the production of the means of subsistence or even just compared with the rest of the population of a

[a] See present edition, Vol. 6, p. 199. Here and below Marx quotes in French.— *Ed.*

[b] Ibid., p. 202.— *Ed.*

[c] Ibid., p. 205.— *Ed.*

[d] Ibid., p. 199.— *Ed.*

country. Only this could irrefutably show that increasing agricultural production also demands that progressively more labour is expended upon it. But it is just here that statistics contradict you" ([Rodbertus, p.] 274). "Indeed, you will find that, [pretty well] as a rule, the denser the population of a country, the smaller will be the proportion of people engaged in agriculture.... The same phenomenon can be observed when the population of a country increases: that section which is *not* engaged in agriculture will almost everywhere increase to a greater degree" ([p.] 275).

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

According to Mr. Rodbertus (p. 78):

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

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

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

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

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

DONE WITH.

h) RICARDO

With Anderson's thesis (partly also in Adam Smith): "IT IS NOT THE RENT OF THE LAND THAT DETERMINES THE *PRICE* OF ITS PRODUCE, BUT IT IS THE *PRICE* OF THAT PRODUCE WHICH DETERMINES THE RENT OF THE LAND"[a] the doctrine of the Physiocrats was overthrown. The *price* of the agricultural produce, and neither this produce itself nor the land, had thus become the source of rent. This finished the notion that rent was the OFFSPRING of the exceptional productivity of agriculture, which again was supposed to be THE OFFSPRING of the special FERTILITY of the SOIL. For, if *the same quantity of labour* was exerted in a particularly productive element and hence was itself exceptionally productive, then the result could only be that this labour manifested itself in a relatively *large* quantity of *products* and that the price of the individual product was therefore relatively low; but it could never have the opposite result, namely, that the *price* of its product was *higher* than that of other products in which the same quantity of labour was realised and that this *price*, as distinct from that of other commodities, thus yielded *a rent, in addition to* profit and wages. (In his treatment of rent, *Adam Smith* to some extent returns to the Physiocratic view, having previously refuted or at least rejected it by his original conception of rent as part of surplus labour.)

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

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

After the rejection of this notion of the Physiocrats—which, however, was fully justified IN ITS DEEPER SENSE, because they regarded rent as the only surplus, and CAPITALISTS and LABOURERS TOGETHER merely as the *salariés*[b] of the LANDLORD—only the following viewpoints were possible.

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

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[a] See this volume, p. 372.—*Ed.*
[b] Paid employees.—*Ed.*
[c] See this volume, p. 268.—*Ed.*

concept, the *price* of the agricultural product is constantly *above* its *value.* There is a SURCHARGE OF PRICE and the law of the value of commodities is breached by the *monopoly* of landed property.

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

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

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

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[a] See this volume, pp. 268, 367-68, 371.—*Ed.*

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

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

Ricardo starts out from the determination OF THE RELATIVE VALUES (or EXCHANGEABLE VALUES) OF COMMODITIES BY "*THE QUANTITY OF LABOUR*". (We can examine later the various senses in which Ricardo uses the term VALUE. This is the basis of Bailey's criticism and, at the same time, of Ricardo's *shortcomings*.[a]) The character of this "LABOUR" is not further examined. If two commodities are equivalents—or bear a *definite proportion* to each other or, which is the same thing, if their *magnitude differs* according to the [XI-524] *quantity of "labour"* which they contain—then it is obvious that regarded as exchange values, their *substance* must be the same. Their substance is labour. That is why they are "values". Their magnitude varies, according to whether they contain more or less of this substance. But *Ricardo* does not *examine* the form—the peculiar characteristic of labour that creates exchange value or manifests itself in exchange values—the *nature* of this labour. Hence he does not grasp the connection of *this labour* with *money* or that it must

[a] See this volume, pp. 397-99.—*Ed.*

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

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

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

[a] In the manuscript the word "categories" is written above this word.—*Ed.*

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

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

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

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

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

Hence also the very peculiar and necessarily faulty architectonics of his work. The whole consists of 32 chapters (in the 3rd edition). Of this, 14 chapters deal with *taxes,* thus dealing only with the *application* of the theoretical principles.[138] The 20th chapter, "Value and Riches, Their Distinctive Properties", is nothing but an examination of the difference between use value and exchange value, i.e., a supplement to the first chapter, "On Value". The 24th chapter "Doctrine of A. Smith Concerning the Rent of Land", like the 28th chapter "On the Comparative Value of Gold, Corn and Labour etc." and the 32nd chapter "Mr. Malthus's Opinions on Rent", are mere supplements to, and in part a vindication of, Ricardo's rent theory, thus forming mere appendices to chapters II and III which deal with rent. The 30th chapter, "On the Influence of Demand and Supply on Prices", is simply an appendix to the 4th chapter "On Natural and Market Price". The 19th chapter, "On Sudden Changes in the Channels of Trade", forms a second appendix to this chapter. The 31st chapter, "On Machinery", is purely an appendix to the 5th and 6th chapters "On Wages" and "On Profits". The 7th chapter, "On Foreign Trade", and [Chapter] XXV, "On Colonial Trade"—like the chapters on taxes—are mere applications of previously established principles. The 21st chapter, "Effects of Accumulation on Profits and Interest", is an appendix to the

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[a] J. B. Say, *Traité d'économie politique...*, 6th ed., Vol. I, Paris, 1841, p. 41. Marx quotes in French.—*Ed.*

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

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

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

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

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

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

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

Thus the entire Ricardian contribution is contained in the first two chapters of his work. In these chapters, the developed relations of bourgeois production, and therefore also the developed categories of political economy, are confronted with their principle—the determination of value—and examined in order to determine the degree to which they directly correspond to this principle and the position regarding the apparent discrepancies which they introduce into the value relations of commodities. They contain the whole of his critique of hitherto existing political economy, the determined break with the contradiction that pervades Adam Smith's work with its esoteric and exoteric method of approach, and, at the same time, because of this critique, they produce some quite new and startling results. Hence the great theoretical satisfaction afforded by these first two chapters; for they provide with concise brevity a critique of the diffuse and meandering old conceptions, present the whole bourgeois system of economy as subject to one fundamental law, and extract the quintessence out of the divergency and diversity of the various phenomena. But this theoretical satisfaction afforded by these first two chapters BECAUSE OF THEIR ORIGINALITY, unity of fundamental approach, SIMPLENESS, concentration, depth, novelty and COMPREHENSIVENESS, is of necessity lost as the work proceeds. Here too, we are at times captivated by the originality of certain arguments. But as a whole, it gives rise to weariness and boredom. As the work

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proceeds, there is no further development. Where it does not consist of monotonous formal application of the same principles to various extraneous matters, or of polemical vindication of these principles, there is only repetition or amplification; at most one can occasionally find a striking chain of reasoning in the final sections.

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

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

First of all Ricardo speaks of "*VALUE IN EXCHANGE*" and, like Adam Smith, defines it as "THE *POWER OF PURCHASING OTHER GOODS*" (*Principles*, p. 1). This is exchange value as it *appears* at first. Then, however, he proceeds to the real determination of value:

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

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

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

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

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a See this volume, p. 399.— *Ed.*

coffee—the ratio in which they exchange—is thus different from RELATIVE VALUE in the first sense. In the first sense, the RELATIVE VALUE of sugar is determined by the quantity of sugar which can be produced by a certain amount of labour time [XI-527]. In the second case, the RELATIVE VALUE of sugar [and coffee] expresses the ratio in which they are exchanged for one another and changes in this ratio can be the result of a change in the "RELATIVE VALUE" in the first sense, in coffee or in sugar. The proportion in which they exchange for one another can remain *the same*, although their "RELATIVE VALUES" in the first sense have altered. 1 lb. sugar can=2 lbs coffee, as before, even though the labour time for the production of sugar and of coffee has risen to double or has fallen to a half. *VARIATIONS* in their *COMPARATIVE VALUE*, that is, if the exchange value of sugar is expressed in coffee, and vice versa, will only appear when the VARIATIONS in their *RELATIVE VALUE* in the first sense, i.e., the VALUES determined by the quantity of labour, have *altered to a different extent*, when therefore *COMPARATIVE* CHANGES have occurred. ABSOLUTE CHANGES, when they do not alter the original ratio, but are of equal magnitude and move in the same direction, will not call forth any VARIATION in the COMPARATIVE VALUES—nor in the *money prices* of these commodities, since, if the value of money should change, it would do so equally for both [commodities]. Hence, whether the values of two commodities are expressed in their own reciprocal use values or in their money price—representing both values in the form of the use value of a third commodity—these *RELATIVE* or *COMPARATIVE* VALUES or prices are the same, and the CHANGES in them must be distinguished from their *RELATIVE VALUES* in the first sense of the term, i.e., in so far as they only express the change in the labour time required for their *own* production, and thus *realised in themselves*. The latter *RELATIVE VALUE* thus appears as "*ABSOLUTE VALUE*" compared with RELATIVE VALUES in the second sense, i.e., in the sense of actually representing the exchange value of one commodity in terms of the use value of the other or in money. That is why the term "*ABSOLUTE VALUE*" occurs in Ricardo's work to denote "RELATIVE VALUE" in the first sense.

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

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

At times Ricardo also calls this "ABSOLUTE" VALUE "REAL VALUE" or simply *VALUE* (for instance on p. 16).

(See the whole of Bailey's polemic against Ricardo in: *A Critical Dissertation on the Nature, Measures, and Causes of Value; chiefly in reference to the Writings of Mr. Ricardo and his Followers*. By the Author of *Essays on the Formation and Publication of Opinions*, London, 1825.) (See also his *A Letter to a Political Economist; occasioned by an article in the Westminster Review* etc., *London, 1826*. [Bailey's polemic] partially revolves around these different instances of definitions of value, which are not explained by Ricardo but only occur *de facto* and are confused with one another, and Bailey sees in this only "contradictions".) Secondly, [it is directed] against "ABSOLUTE VALUE" or "REAL VALUE" as distinct from *COMPARATIVE VALUE* (or RELATIVE VALUE in the second sense).

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

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

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

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

On the contrary, as we shall see, Ricardo is rather to be reproached for very often losing sight of this "REAL" or "ABSOLUTE VALUE" and only retaining "RELATIVE" or "COMPARATIVE VALUES".

[XI-528] Thus:

1) RICARDO'S DESCRIPTION OF PROFIT, RATE OF PROFIT, AVERAGE PRICES, ETC.

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

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

Raw material has been omitted here, yet the labour bestowed on raw material is surely just as different from "LABOUR APPLIED IMMEDIATELY TO COMMODITIES" as the labour bestowed on means of labour, "IMPLEMENTS, TOOLS, AND BUILDINGS". But Ricardo is already thinking of the next SECTION. In SECTION III he assumes that *equal component parts of value* comprised in the means of labour employed enter into the production of the various commodities. In the next SECTION he examines the modifications arising from the *varying proportions* in which fixed capital enters [into the commodities]. Hence Ricardo does not arrive at the concept of *constant capital,* one part of which consists of fixed capital and the other of circulating capital—raw material and *matières instrumentales*—just as *circulating* capital not only includes variable capital but also raw material, etc., and all means of subsistence which enter into *consumption in general* (not only into the consumption of the workers).

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

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

Having made *this presupposition* Ricardo then asks himself how will the rise or fall of wages affect the "*RELATIVE VALUES*", when fixed and circulating capitals are employed in different proportions? Or rather, *he imagines* that this is how he handles the question. In fact he deals with it quite differently, namely, as follows: He asks himself what effect the rise or fall of wages will have on the *respective profits* on capitals with different periods of turnover and containing different proportions of the various forms of capital. And here of course he finds that depending on the amount of fixed capital, etc., a rise or fall of wages must have a very different effect on capitals, according to whether they contain a greater or lesser proportion of variable capital, i.e., capital which is laid out directly in wages. Thus in order to equalise again the profits in the different [XI-529] spheres of production, *alias*, to re-establish the *general rate of profit*, the prices of the commodities—as distinct from their *values*—must be regulated in a different way. *Therefore*, he further concludes, these differences affect the "RELATIVE VALUES" when wages rise or fall. He should have said on the contrary: Although these differences have nothing to do with the VALUES as such, they do, through their varying effects on profits in the different spheres, give rise to average prices or, as we shall call them, *cost prices*[139] which are different from the VALUES themselves and are not directly determined by the values of the commodities but by the capital advanced for their production+the average profit. Hence he should have said: These average *cost prices* are different from the *values* of the commodities. Instead, he concludes that they are *identical* and with this *erroneous* premiss he goes on to the consideration of rent.

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

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

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

First of all, let us consider these differences themselves, as he presents them in SECTION IV (CHAPTER I) and then examine his views on how they act or bring about VARIATIONS in the "RELATIVE VALUES".

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

So far as the "DIFFERENT PORTIONS OF LABOUR TO PRODUCE THEM" are concerned, this can imply—and here it seems to be Ricardo's sole point—that the less durable ones require *more* labour (recurring, directly applied labour), partly for their REPAIR and partly for their reproduction; or it can also mean that machinery, etc., of *the same DEGREE OF DURABILITY* may be more or less expensive, the product of more or less labour. This latter aspect, important for the proportion of variable to constant capital, is not relevant to Ricardo's consideration and therefore he does not take it up anywhere as a separate point.

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

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

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

Thus the difference between FIXED and CIRCULATING CAPITAL is here reduced to the difference in the *time of reproduction* (which coincides with the period of circulation).

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

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

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

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

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

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

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

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

[XI-531] But how is a DIFFERENCE in the *RELATIVE VALUES* OF THESE COMMODITIES brought about by this DIFFERENCE—whether in the DEGREE OF DURABILITY OF FIXED CAPITAL, OR THE TIME OF REVOLUTION OF CIRCULATING CAPITAL, OR A VARIETY IN THE PROPORTIONS IN WHICH THE TWO SORTS OF CAPITAL MAY BE COMBINED or, finally, THE DIFFERENT TIME, IN WHICH COMMODITIES, UPON WHICH THE SAME QUANTITY OF LABOUR IS BESTOWED [come on to the market]. Ricardo says *d'abord* that

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

And how is this proved?

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

Namely when capitals of *equal size* are employed IN *DIFFERENT* TRADES and one capital consists chiefly of fixed capital and contains only a small amount of capital "EMPLOYED IN THE SUPPORT OF LABOUR", whereas in the other capital the proportions are exactly the reverse. To begin with, it is nonsense to say that the "COMMODITIES" are affected. He means their *VALUES*. But how far are the values affected by these circumstances? NOT AT ALL. In both cases it is the profit which is affected. The man who, for instance, lays out only $^1/_5$ of his capital in variable capital—provided wages and the rate of surplus labour are constant—can only produce [a surplus value of] 4 on 100, if the rate of surplus value=20%. On the other hand, another man, who lays out $^4/_5$ in variable capital, would produce a surplus value of 16. For in the first example the capital laid out in wages=$^{100}/_5$=20 and $^1/_5$ of 20 or 20%=4. And in the second example, the capital laid out in wages$=\frac{4}{5}\times 100=80$. And $\frac{1}{5}$ of 80 or [20]%=16. In the first example the profit=4, in the second=16. The average profit for both would be $\frac{16+4}{2}$ or $\frac{20}{2}=10\%$. This is actually the CASE to which Ricardo refers. Thus if they both sold at cost prices—and this Ricardo *assumes*—then they would each sell their commodity at 110. Supposing wages rose, for example, by 20%. Where previously a worker cost £1, he now costs £1 4s. or 24s. As before, the first man still has to lay out £80 in constant capital (since Ricardo leaves raw materials out of account here, we can do the same) and for the 20 workers whom he employs, he has to lay out 80s., that is £4 in addition to the £20. His capital therefore now amounts to £104 and, since the workers are producing a smaller surplus value instead of a larger one, he is only left with £6 profit out of his £110. £6 on £104 is $5\,\frac{10}{13}\%$. The other man, however, who employs 80 workers, would have to pay out an additional 320s., i.e., £16. Thus he would have to lay out £116. If he were to sell at £110, he would consequently make a loss of £6 instead of a gain. This, however, is only the CASE because the average profit has already modified the relation between the labour he has laid out and the surplus value which he himself produces.

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

Ricardo's first illustration has absolutely nothing to do with "*ANY RISE IN THE VALUE OF LABOUR*" although he originally stated that the whole of the VARIATION IN "THE RELATIVE VALUES" were to arise from this CAUSE. This is the example:

*"Suppose two men employ one hundred men each for a year in the construction of two machines, and another man employs the same number of men in cultivating corn, each of the machines at the end of the year will be of the same value as the corn, for they will each be produced by the same quantity of labour. Suppose one of the owners of one of the machines to employ it, with the assistance of one hundred men, the following year in making cloth, and the owner of the

other machine to employ his also, with the assistance likewise of one hundred men, in making cotton goods, while the farmer continues to employ one hundred men as before in the cultivation of corn. During the second year they will all have employed the same quantity of labour," *

//in other words they will have laid out the same capital in wages, but they will by no means have EMPLOYED *THE SAME QUANTITY OF LABOUR*//

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

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

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

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

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

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

Let us examine this complicated example and reduce it to its GENUINE DIMENSIONS, which are hardly "complicated". And for this purpose let us begin from the end and note at the outset, in order to reach SIMULTANEOUSLY A CLEARER UNDERSTANDING THAT Ricardo "PRESUPPOSES" that the FARMER and the COTTON fellow spend nothing on raw material, that, furthermore, the FARMER does not lay out any capital for instruments of labour and, finally, that no part of the fixed capital laid out by the COTTON fellow enters into his product as wear and tear. Though all these assumptions are absurd, they do not in themselves affect the illustration.

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

Neither does the example show, as Ricardo asserts, THAT

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

For according to his assumption, the COTTON-MANUFACTURER employs a FIXED CAPITAL of £5,500 and the FARMER nil; the one employs fixed capital, the other does not. By no means do they, therefore, employ it "IN DIFFERENT QUANTITIES", any more than one could say that, if one person eats meat and the other eats no meat, they consume meat "IN DIFFERENT QUANTITIES". On the other hand it is correct (though very wrong to introduce the term surreptitiously with an "OR") that they employ "ACCUMULATED LABOUR", i.e., objectified labour, in "DIFFERENT QUANTITIES", namely, one to the amount of £10,500 and the other only 5,000. However, the fact that they employ "DIFFERENT QUANTITIES OF ACCUMULATED LABOUR" only means that they lay out "DIFFERENT QUANTITIES OF CAPITAL" in their RESPECTIVE TRADES, that the amount of profit is proportionate to this difference in the size of the capitals they employ, because *the same rate of profit* is assumed, and that, finally, this difference in the amount of profit, proportionate to the size of the capitals, is expressed, represented, in the respective COST PRICES of the commodities.

But whence the CLUMSINESS in Ricardo's illustration?

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

This means that they do not employ the SAME QUANTITY OF LABOUR—IMMEDIATE AND ACCUMULATED LABOUR TAKEN TOGETHER—but they do employ the same quantity of variable capital, capital laid out in wages, the same quantity of living labour. And since money exchanges for ACCUMULATED LABOUR, i.e., commodities existing in the form of machines, etc., only according to the law of commodities, since *surplus value* comes into being only as the result of the appropriation without payment of a part of the living labour employed—it is clear (since, according to the assumption, no part of the machinery enters into the commodity as wear and tear) that both can only make the same profit if profit and surplus value are identical. The COTTON-MANUFACTURER would have to sell his commodity for 5,500, like the FARMER, although he lays out more than twice as much capital. And even if the whole of his machinery passed into the commodity, he could only sell his commodity for £11,000; he would make a profit of less than 5%, while the FARMER makes 10.

But with these *unequal* profits, the FARMER and the MANUFACTURER would have sold the commodities at their *values*, provided that the 10% made by the FARMER represented actual unpaid labour embodied in his commodity. If, therefore, they sell their commodities at an equal profit, then this must be due to one of two things: either the MANUFACTURER arbitrarily adds 5% on to his commodities and then the commodities of the MANUFACTURER and the FARMER, taken together, are sold *above* their value; or the actual surplus value which the FARMER makes is about 15% and both add the average of 10% on to their commodity. In this case, although the COST PRICE of the respective commodity is either above or below its value, both commodities *taken together* are *sold at their value* and the equalisation of the profits is itself determined by the total surplus values they contain. Here, in Ricardo's above proposition, when correctly modified, lies the truth, that capitals of equal size, containing [different] proportions of variable to constant capital, must result in commodities of unequal values and thus yield different profit; the levelling out of these profits must therefore result in *cost prices* which *differ* from the values of the commodities.

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

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

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

COTTON GOODS, BUT THE "VALUE OF THE COTTON GOODS AND THE MACHINE" with "THE VALUE OF THE CORN".

WELL then. At the end of the second year, the VALUE of the COTTON must be=to £1,000, namely, 500 the value of the machine, and 500 the value of the newly added labour. The VALUE of the CORN, on the other hand, is 500, namely, 400 the value of the wages and 100 unpaid labour. So far, there is nothing in this CASE which *contradicts the law of values*. The COTTON-MANUFACTURER makes a profit of 25% just as the CORN-MANUFACTURER does. But the commodities of the former=1,000 and those of the latter=500,[a] because the former commodity embodies the labour of 200 [men] and the latter the labour of only 100 in each year. Furthermore, the 100 profit (surplus value) which the COTTON-MANUFACTURER has made on the machine in the first year—by absorbing $^1/_5$ of the labour time of the workers who constructed it, without paying for it—is only realised for him in the 2nd year, since it is only then that he realises in the value of the COTTON simultaneously the value of the machine. But now we come to the point. The COTTON-MANUFACTURER sells for more than £1,000, i.e., at a higher value than his commodity has, while the FARMER sells his CORN at 500, thus, according to our assumption, at its value. If, therefore, there were only these two people to exchange with one another, the MANUFACTURER obtaining CORN from the FARMER and the FARMER COTTON from the MANUFACTURER, then it would amount to the same as if the FARMER sold his commodity *below* its value, making less than 25%, and the MANUFACTURER sold his COTTON *above* its value. Let us do without the 2 capitalists (the CLOTH-MAN and the COTTON-MAN) whom Ricardo introduces here quite superfluously, and let us modify his example by only referring to the COTTON-MAN. The DOUBLE calculation is of no value at all to the illustration at this point. Thus:

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

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

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

[a] Marx wrote "100" in the manuscript. Presumably Engels changed it in pencil to "500".—*Ed.*

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

In order to make the illustration clearer and more accurate, let us suppose the FARMER uses £900 in the 2nd year. Then, with a profit of 25%, he has made £100 on the 400 laid out in the *first year*, and 225 in the 2nd, altogether £325. As against this, the MANUFACTURER makes 25% on the £400 in the first year, but in the 2nd only 100 on 900, i.e., only $11\,^{1}/_{9}$% (since only the 400 laid out in wages yield surplus value, whereas the 500 in machinery yield none). Or let us suppose the FARMER lays out 400 again, then he has made 25% in the first year as well as in the 2nd; which taken together is 25% or £200 on an outlay of £800 in two years. As against this, the MANUFACTURER will have made 25[%] in the first year and $11\,^{1}/_{9}$[%] in the second; i.e., £200 on an outlay of 1,300 in 2 years which=$15\,^{5}/_{13}$[%]. If this were levelled out, the MANUFACTURER would receive $20\,^{5}/_{26}$[%] and so would the FARMER.[140] In other words, this would be the average profit. This would result [in the second year] in [a price of] less than £500 for the FARMER's commodity and more than £1,000 for the MANUFACTURER's commodity.

[XI-535] At all events, the MANUFACTURER here lays out £400 in the first year and 900 in the 2nd, while the FARMER lays out only £400 on each occasion. If the MANUFACTURER instead of producing COTTONS had built a house (if he were a builder) then at the end of the 1st year, the unfinished house would embody £500 and he would have to spend a further £400 on labour in order to complete it. The FARMER, however, whose capital turned over within the year, can recapitalise a part, say 50, of his £100 profit and spend it again on labour, which the MANUFACTURER, in the SUPPOSED CASE, cannot do. If the rate of profit is to be *the same* in both cases, then the commodity of one must be sold *above* its value and that of the other *below* its value. Since competition strives to level out values into cost prices, this is what happens.

But it is incorrect to say, as Ricardo does, that here a VARIATION IN THE RELATIVE VALUES takes place "ON ACCOUNT OF THE DIFFERENT DEGREES OF DURABILITY OF CAPITALS" or "ON ACCOUNT OF THE TIME WHICH MUST ELAPSE BEFORE ONE SET OF COMMODITIES CAN BE BROUGHT TO MARKET". It is, rather, the adoption of a *general rate of profit*, which despite the different VALUES brought about by the circulation process, gives rise to equal *cost prices* which are *different* from values, for values are determined only by labour time.

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

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

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

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

It IS NOT ONLY THE SAME "IN FACT", BUT "IN APPEARANCE" TOO, except that in the one case the COMMODITY is called "machine" and here simply "COMMODITY". In the first example, the MANUFACTURER laid out 400 in the first year and 900 in the 2nd. This time he lays out 1,000 in the first and 2,100 in the second. The FARMER laid out 400 in the first and 400 in the 2nd. This time, the second man lays out 2,000 in the first year and nothing in the second. That is the whole difference. In both cases, however, *fabula docet*[a] applies to the fact that one of the men lays out in the second year the whole of the product of the first (including surplus value)+AN ADDITIONAL SUM.

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

[a] Lit. the fable teaches; fig.: maxim of the fable.—*Ed.*

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

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

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

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

Ricardo should have drawn the following conclusions:

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

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

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

Because Ricardo, instead of deriving the difference between cost prices and values from the determination of value itself, admits that "values" themselves (here it would have been appropriate to define the concept of "ABSOLUTE" OR "REAL VALUE" OR "VALUE" as such) are determined by influences that are independent of labour time and that the law of value is sporadically invalidated by these influences, this was used by his opponents, such as Malthus, in order to attack his whole [XI-537] theory of values. Malthus correctly remarks that the differences between the organic component parts of capital and the turnover periods of capitals in different TRADES develop simultaneously with the progress of production, so that one would arrive at Adam Smith's standpoint, that the determination of value by labour time was no longer applicable to "civilised" times. (See also Torrens.) On the other hand his disciples have resorted to the most pitiful scholastic inventions, to make these phenomena consistent with the fundamental principle (see [James] Mill and the miserable McCulloch).[a]

[a] See present edition, Vol. 32; pp. XIII—759-64, XIV—782-88, 791-93, 840-50 of Marx's manuscript.—*Ed.*

Ricardo does not dwell on the conclusion which follows from his own illustrations, namely, that—*quite apart* from the rise or fall of wages—on the assumption of constant wages, the cost prices of commodities must differ from their values, if cost prices are determined by the same PERCENTAGE OF PROFIT. But he passes on, in this SECTION, to the influence which the rise or fall of wages exerts on *cost prices* to which the values have already been levelled out.

The matter is in itself extraordinarily simple.

The FARMER lays out £5,000 at 10%; his commodity=£5,500. If the profit falls by 1% from 10 to 9, because wages have risen and the rise in wages has brought about this reduction, then he continues to sell at 5,500 (since it is assumed that he lays out the whole of his capital in wages). But of these 5,500 only 454 $^{14}/_{109}$ belong to him and not 500. The capital of the MANUFACTURER consists of £5,500 for machinery and 5,000 for LABOUR. As before, the latter 5,000 results in a product of 5,500, except that now the manufacturer does not lay out 5,000 but 5,045 $^{95}/_{109}$ and on this he makes a profit of only 454 $^{14}/_{109}$, like the FARMER. On the other hand he can no longer reckon 10% or 550 on his fixed capital of 5,500 but only 9% or 495. He will therefore sell his commodity at £5,995 instead of at 6,050. Thus, as a result of the rise in wages, the money price of the FARMER's commodity has remained the same, while that of the MANUFACTURER has fallen, the value of the FARMER's commodity COMPARED with that of the MANUFACTURER has therefore risen. The whole point of the matter is that if the MANUFACTURER sold his commodity at the same value as before, he would make a higher profit than the average, because only the part of his capital that has been laid out in wages is directly affected by the rise in wages. This illustration in itself already *assumes* cost prices regulated by an average profit of 10% and *differing from the values of the commodities.* The question is, how are these cost prices affected by the rise or fall in profit, when the capitals employed contain different proportion of fixed and circulating capital? This illustration (Ricardo, pp. 31-32) has nothing to do with the essential question of the *transformation of values into cost prices.* But it is a nice point because Ricardo in fact demonstrates here that, if the composition of the capitals were the same, a rise in wages—contrary to the vulgar view—would only bring about a lowering of profits without affecting the values of the commodities; if the composition of the capitals is unequal, then it will only bring about a *fall* in the price of some commodities instead of—as vulgar opinion maintains—a rise in the *price of all commodities.* Here the fall in the prices of commodities results from a fall in the rate of profit or, which amounts to the same thing, a rise in wages. In the case of the MANUFACTURER a large part of the *cost price* of the commodity is determined by the average profit which he reckons on his fixed capital. If, therefore, this rate of profit falls or rises as a result of the rise or fall in wages, then the *price of these* commodities will fall or rise correspondingly—that is in accordance with THAT PART OF THE PRICE WHICH RESULTS FROM THE PROFIT CALCULATED UPON THE FIXED CAPITAL. The same applies to "CIRCULATING CAPITALS *RETURNABLE* AT *DISTANT* PERIODS, AND VICE VERSA" (McCulloch).[a] If the capitalists who employ less variable capital were to continue to chalk up their fixed capital at the same rate of profit, and add it to the price of the commodity then their rate of profit would rise and it would rise in the proportion in which they employ more fixed capital than those whose capital consists to a greater extent of variable capital. This would be levelled out by competition.

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

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

Secondly: "*THERE CAN BE NO RISE IN THE VALUE OF LABOUR WITHOUT A FALL OF PROFITS*" (p. 31).

Thus already in CHAPTER I *on value*, those laws are presupposed, which in CHAPTERS V and VI "On Wages" and "On Profits" should be deduced from the CHAPTER "On Value". Incidentally, [XI-538] Ricardo concludes quite wrongly, that because "THERE CAN BE NO RISE IN THE VALUE OF LABOUR WITHOUT A FALL OF PROFITS", THERE CAN BE NO RISE OF PROFITS WITHOUT A FALL IN THE VALUE OF LABOUR. The first law refers to surplus value. But since profit=the proportion of surplus value to the total capital advanced, profit can rise though the VALUE OF LABOUR remains the same, if the value of constant capital falls. Altogether Ricardo mixes up surplus value and profit. Hence he arrives at erroneous laws on profit and the rate of profit.

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

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

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[a] J. R. McCulloch, *The Principles of Political Economy...*, Edinburgh, London, 1825, p. 300.—*Ed.*

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

Again Ricardo comes to the one point with which he is really concerned in his investigation. These VARIATIONS IN the COST PRICES OF COMMODITIES RESULTING FROM A RISE OR FALL IN WAGES are insignificant compared with those variations in the same COST PRICES which are brought about by VARIATIONS IN THE VALUES OF COMMODITIES // Ricardo IS FAR FROM EXPRESSING THIS TRUTH IN THESE ADEQUATE TERMS//, in the QUANTITY OF LABOUR EMPLOYED IN THEIR PRODUCTION. One can therefore, by and large, "abstract" from this and, accordingly, the law of VALUES remains virtually correct. (He should have added that the COST PRICES themselves remain unintelligible without VALUES, AS DETERMINED BY THE TIME OF LABOUR.) This is the true course of his investigation. In fact it is clear that despite the transformation of the values of commodities into *cost prices*, the latter having been assumed, a *CHANGE* in cost prices //and these cost prices must not be confused with *market prices*: they are the average market prices of the commodities in the DIFFERENT TRADES. *Market price* itself already includes an average in so far as *commodities of the same sphere* are determined by the prices of those commodities which are produced under the mean, AVERAGE conditions of production of this sphere. By no means under the *worst conditions*, as Ricardo assumes with rent, because the average demand is related to a certain price, even with corn. A certain amount of the supply is therefore not sold *above* this price. Otherwise the demand would fall. Those whose conditions of production are not average but *BELOW*[a] average, must therefore often sell their commodity not only below its value but below its *cost price*//, in so far as it does not arise from a permanent fall or rise, A PERMANENT ALTERATION, IN THE RATE OF PROFIT which can only establish itself in the course of many years—can only and solely be caused by a *CHANGE* in the *VALUES* of commodities, in the labour time necessary for their production.

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

[a] In the manuscript, this English word is given in parenthesis after its German equivalent.—*Ed.*

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

He therefore takes no further account of this.

The whole of this Section IV of CHAPTER I "On Value" is so extraordinarily confused, that, although Ricardo announces at the start that he intends to *consider the influence of the* VARIATIONS in the VALUES of commodities brought about by the *rise or fall in wages* which results from differences in the composition of capital, he actually does this only occasionally. IN FACT, he fills the major part of SECTION IV with illustrations which prove that, *quite independently* of the *rise or fall* of wages—he himself assumes that wages remain *constant*—the *postulation* [XI-539] of a *general rate of profit* must result in COST PRICES which differ from the VALUES of the commodities and, moreover, that this does not even depend on the DIFFERENCE [in the proportion] OF FIXED and CIRCULATING CAPITAL. He forgets this again at the end of the section.

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

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

IN FACT, he shows by his illustrations, *d'abord*, that it is only the *general rate of profit* which enables the DIFFERENT COMBINATIONS of SORTS OF CAPITAL (namely variable and constant, etc.) to differentiate the PRICES of COMMODITIES from their VALUES, that therefore the *CAUSE* OF THOSE VARIATIONS is the general rate of profit and not THE VALUE OF LABOUR, which is assumed to be constant. Then—only in the second place—he assumes COST PRICES already differentiated from VALUES as a result of the general rate of profit and he examines how VARIATIONS IN THE VALUE OF LABOUR affect these. Number 1, the main point, he does not investigate; he loses sight of it altogether and closes the SECTION as he began it:

*"it being shown in this section that without any variation in the quantity of labour, *the rise of its value* merely will occasion a fall in the exchangeable value of those goods, in the production of which *fixed capital* is employed; the larger the amount of fixed capital, the greater will be the fall"* (p. 35).

And in the following SECTION V (CHAPTER I) he continues on the same LINES, in other words, he only investigates how the *COST PRICES* of commodities can be altered by A *VARIATION IN THE VALUE OF LABOUR, OR WAGES*, not when the proportion OF FIXED and CIRCULATING CAPITALS is different in TWO EQUAL CAPITALS IN TWO DIFFERENT OCCUPATIONS, but when THERE IS "*UNEQUAL DURABILITY* OF FIXED CAPITAL" or "*UNEQUAL RAPIDITY IN THE RETURN OF THE* CAPITALS TO THEIR *OWNERS*". The correct surmise implied in SECTION IV, regarding the difference between COST PRICES and VALUES brought about by the general rate of profit, is here no longer noticeable. Only a secondary question is examined here, namely, the VARIATION in the COST PRICES themselves. This SECTION, therefore, is in fact of hardly any theoretical interest, apart from the occasional mention of differences in the form of capitals arising from the circulation process.

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

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

Less durable capital *constantly* requires a greater quantity of *labour*,

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

//but he is so occupied with his GENERAL RATE OF PROFIT, that he does not see that thereby A relatively *great deal of surplus labour would be continually transferred to the commodity//

"in the other very little would be so transferred"

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

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

In other words: The MANUFACTURER who employs FIXED CAPITAL OF LESS DURABILITY employs relatively less fixed capital and more capital expended in wages, than the one who EMPLOYS CAPITAL OF GREATER DURABILITY. This case is therefore identical with the previous one, illustrating how a VARIATION in WAGES affects capitals, one of which consists of relatively, proportionately, more fixed capital than the other. THERE IS NOTHING NEW [here].

What Ricardo further says about *MACHINERY* on pp. 38-40 should be held over until we come to CHAPTER XXXI "On Machinery".[a]

It is curious how Ricardo, at the end, almost expresses the correct idea in a passing *phrase* only to let it go again and after touching upon it, returns again to his dominating idea of the effect of an ALTERATION IN THE VALUE OF LABOUR on COST PRICES and finally concludes the investigation with this *secondary consideration*.

The passage containing the allusion is the following:

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

//the final clause is badly worded; it refers moreover not to VALUE but to *COMMODITIES*, and is meaningless, unless it refers to their *PRICES*; for to say that *VALUES* FALL in proportion to labour time means that VALUES FALL OR RISE AS THEY RISE OR FALL//

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

[a] See present edition, Vol. 32; XIII—734-35 of Marx's manuscript.—*Ed.*

their manufacture will be the same; but those *profits would be unequal*, if *the prices of the goods* did not vary with a rise or fall in *the rate of profits*"* (pp. 40-41).

In fact Ricardo says:

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

Having thus, if not set forth and comprehended, at any rate virtually demonstrated, the difference between COST and VALUE, COST PRICES and VALUES of commodities, Ricardo ends with the following sentence:

* "Mr. Malthus appears to think that it is a part of my doctrine, that *the cost* and

value of a thing should be the same;—*it is*, if he means by cost '*cost of production*' *including profits*"* (p. 46, note). (That is, outlay+PROFIT as determined by the GENERAL RATE OF PROFIT.)

With this erroneous confusion of COST PRICES and VALUES, which he has himself refuted, he then proceeds to consider rent.

With regard to the influence of the VARIATIONS IN THE VALUE OF LABOUR UPON THE COST PRICE OF GOLD, Ricardo says the following in SECTION VI, CHAPTER I:

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

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

As inadequate as SECTIONS IV and V of CHAPTER I appear in their consideration of the INFLUENCE of the VARIATIONS IN THE VALUE OF LABOUR ON "RELATIVE VALUES", theoretically a secondary matter compared with the transformation of VALUES INTO COST PRICES through the AVERAGE RATE OF PROFIT, so important is the conclusion which Ricardo draws from this, thereby demolishing one of the major errors that had persisted since Adam Smith, namely, that the raising of wages, instead of reducing profits, RAISES THE PRICES OF COMMODITIES. This is indeed already implied in the very concept of *VALUES* and is in no way altered by the transformation of values into COST PRICES, since this, in any case, only affects the *distribution* of *the surplus value made by the total capital* among the various TRADES or DIFFERENT CAPITALS IN DIFFERENT SPHERES OF PRODUCTION. But it was important that Ricardo stressed this point and even proved the opposite to be the case. He is therefore justified in saying in SECTION VI, CHAPTER I:

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

//This corresponds to Adam Smith's 2nd explanation of VALUE, according to which it is equal to the QUANTITY OF LABOUR A COMMODITY CAN PURCHASE.//[a]

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[a] See present edition, Vol. 30, pp. 376-84.—*Ed.*

*"I hope I have succeeded in showing, that there are no grounds for such an opinion, and that only those commodities would rise which had less fixed capital employed upon them *than the medium in which price was estimated*,"* (here RELATIVE VALUE is=to the EXPRESSION of the VALUE IN MONEY), *"and that all those which had *more*, would precisely fall in price when wages rose. On the contrary, if wages fell, those commodities only would fall, which had a less proportion of fixed capital employed on them, than the medium in which price was estimated; all those which had more, would positively rise in price"* (p. 45).

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

But what Ricardo means is something different. He means that: because of a rise in wages, wheat would rise as against COTTON but not as against clothes. Thus clothes would exchange for wheat at the old price, whereas COTTONS would exchange against wheat at the higher price. In itself, the assumption that VARIATIONS in the price of wages in England, for instance, would alter the cost price of gold in California where wages have not risen, is utterly absurd.

The levelling out of *values* by labour time and even less the levelling out of *cost prices* by a general rate of profit does not take place in this direct form between different countries. But take even wheat, a home product. Say that the qr of wheat has risen from 40s. to 50s., i.e., by 25%. If the dress has also risen by 25%, then it is worth 1 qr of wheat as before. If the COTTON has fallen by 25%, then the same amount of COTTON which was previously worth 1 qr is now only worth 6 BUSHELS of wheat.[141] And this expression in wheat represents exactly the ratio of the prices of COTTON and clothes, because they are being measured in *the same* medium, in 1 qr of wheat.

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

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

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

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

[a] Ricardo has "standard measure of value".—*Ed.*

which is not itself exposed to the same variations ... that is, there is none which is not subject to require more or less labour for its production"* (p. 42).

Even if there were such a commodity, the influence of the RISE OR FALL OF WAGES, the DIFFERENT COMBINATIONS OF FIXED AND CIRCULATING CAPITAL, the different degrees of DURABILITY of the FIXED CAPITAL employed and THE [different] LENGTH OF TIME BEFORE the commodity CAN BE BROUGHT TO MARKET, etc., would prevent it from being:

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

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

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

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

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

b Ibid.; pp. XII—637-50 and 662-65 of Marx's manuscript.—*Ed.*

[XI-543] AVERAGE OR COST PRICES AND MARKET PRICES

In developing his theory of differential rent, in CHAPTER II, "On Rent", Ricardo puts forward the following thesis:

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

The last sentence is not entirely correct. The "QUANTITY OF PRODUCE REQUIRED" [is] not a fixed magnitude. [It would be correct to say:] A CERTAIN QUANTITY OF PRODUCE REQUIRED WITHIN CERTAIN LIMITS OF PRICE. If the latter rises above these LIMITS then the "QUANTITY REQUIRED" falls with the demand.

The thesis set out above can be expressed in general terms as follows: The value of the commodity—which is the product of a particular sphere of production—is determined by the labour which is required in order to produce the *whole amount*, the *total sum* of the commodities appertaining to this sphere of production and not by the particular labour time that each individual CAPITALIST or EMPLOYER within this sphere of production requires. The general conditions of production and the general productivity of labour in this particular sphere of production, for example in COTTON MANUFACTURE, are the average conditions of production and the average productivity in this sphere, in COTTON MANUFACTURE. The quantity of labour by which, for example, [the value of] a yard of COTTON is determined is therefore not the quantity of labour it contains, the quantity the MANUFACTURER HAS EXPENDED UPON IT, but the average quantity with which all the COTTON-MANUFACTURERS PRODUCE ONE YARD OF COTTON for the market. Now the particular conditions under which the individual CAPITALISTS produce, for example, in COTTON MANUFACTURE, necessarily fall into 3 categories. Some produce under *medium* conditions, i.e., the individual conditions of production under which they produce coincide with the *general* conditions of production in the sphere. The average conditions are their *actual* conditions. The productivity of their labour is at the average level. The *individual* value of their commodities coincides with the *general* value of these commodities. If, for example, they sell the yard of COTTON at 2s.—the average value—then they sell it at the *value* which the yards they produce represent *in natura*. Another category produces under *better* than average conditions. The *individual* value of their commodities is *below* their general value. If they sell their commodities at this general value, they sell them *above* their individual value. Finally, a third category produces under conditions of production that are *below* the average.

Now the "QUANTITY OF PRODUCE REQUIRED" from this particular sphere of production is not a fixed magnitude. If the rise of the value of the commodities above the average value exceeds CERTAIN LIMITS, the "QUANTITY OF PRODUCE REQUIRED" falls or this QUANTITY is only REQUIRED AT A GIVEN PRICE—OR AT LEAST WITHIN CERTAIN LIMITS OF PRICE. Hence it is just as possible that the last-mentioned category has to sell *below* the individual value of its commodities as the better placed category always sells its products *above* their individual value. Which of the categories has a decisive effect on the average value, will in particular depend on the numerical ratio or the proportional size of the categories.[142] If numerically the middle category greatly outweighs the others, it will settle [the average value]. If this group is numerically weak and that which works *below the average conditions* is numerically strong and predominant, then the latter settles the GENERAL VALUE OF THE PRODUCE OF THAT SPHERE, although this by no means implies and it is even very unlikely, that the individual capitalist who is the most *unfavourably* placed in the last group, is the determining factor (SEE Corbet).[143]

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

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[a] But let us leave this aside.—*Ed.*

[XI-544] The above thesis put forward by Ricardo for the purpose of his theory of rent has therefore been interpreted by his disciples to mean that *two different market prices* cannot exist simultaneously on the same market or: products *of the same* kind found on the market simultaneously have *the same price* or—since we can leave out of account here the accidental features of this price—*the same market value*.

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

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

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

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

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

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[a] See this volume, p. 428.—*Ed.*

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

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

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

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

Ricardo's whole procedure in CHAPTER IV is therefore quite superficial. He starts out from the "ACCIDENTAL AND TEMPORARY VARIATIONS OF [the] PRICE" (p. 80) of commodities resulting from the fluctuating relations between demand and supply.

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

[a] See this volume, 423-24.—*Ed.*

depart from *the particular employment* in which the variation has taken place"* (p. 80).

Here the *GENERAL LEVEL OF PROFIT* prevailing between the different spheres of production, BETWEEN "THE PARTICULAR EMPLOYMENTS" is already presupposed. But he should have considered first, how the *GENERAL LEVEL OF PRICE* in the same EMPLOYMENT and the *GENERAL LEVEL OF PROFIT* between DIFFERENT EMPLOYMENTS is brought about. Ricardo would then have seen that the latter operation already presupposes movements of capital in all directions—or a *distribution*, determined by competition, *OF THE WHOLE SOCIAL CAPITAL BETWEEN ITS DIFFERENT SPHERES OF EMPLOYMENT.* Once it is assumed that the market values or average market prices in the different spheres are reduced to *cost prices* yielding the same average RATE OF PROFIT //this is however only the case in spheres where landed property does not interfere; where it INTERFERES, competition—within the same sphere—can convert the price to the value and the value to the market value, but it cannot reduce the market value to the cost price//, persistent deviations of the market price from the cost price, when it rises above or falls below it in particular spheres, will bring about new migrations and a new distribution of SOCIAL capital. The first migration occurs in order to establish *cost prices* which differ from *values.* The second migration occurs in order to equalise the *actual market prices* with the cost prices—as soon as they rise above or fall below the latter. The first is a transformation of the values into cost prices. The second is a rotation of the actual [XI-546] market prices of the moment in the various spheres around the cost price, which now appears as the *NATURAL PRICE,* although it is different from the value and only the result OF SOCIAL ACTION.

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

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

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

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

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

The achievement of Ricardo, whose BLUNDER is on the whole caused by his *lack of criticism* of Adam Smith in this respect, consists in his more precise exposition of this MIGRATION OF CAPITAL FROM ONE SPHERE TO THE OTHER, or rather of the manner in which this occurs. He was, however, only able to do this because the credit system was more highly developed in his time than in the time of Adam Smith. Ricardo says:

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

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

[a] Cf. this volume, p. 352.—*Ed.*

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

At the beginning of Chapter IV, Ricardo says that by *NATURAL PRICE* he understands the *VALUE* of the commodities, that is, the *PRICE* as determined by their relative labour time, and that by *MARKET PRICE* he understands the ACCIDENTAL AND TEMPORARY DEVIATIONS from this NATURAL PRICE=VALUE. [XI-547] Throughout the chapter—and he is quite explicit in this—he understands something quite different by *NATURAL PRICE*, namely, *cost price* which is different from VALUE. Thus, instead of showing how competition transforms VALUES INTO COST PRICES, i.e., creates PERMANENT DEVIATIONS FROM VALUES, he shows, following Adam Smith, how competition reduces the MARKET PRICES IN DIFFERENT TRADES to COST PRICES.

Thus CHAPTER IV opens like this:

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

Here therefore *NATURAL PRICE= VALUE* and MARKET PRICE is nothing but the DEVIATION of ACTUAL PRICE FROM VALUE.

As against this:

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

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

By equalisation through competition, Ricardo therefore understands only the rotation of the ACTUAL PRICES OF ACTUAL MARKET PRICES around the *COST PRICES* or the *NATURAL PRICE* AS distinct FROM the *VALUE*, the levelling out of the MARKET PRICES IN DIFFERENT TRADES TO GENERAL COST PRICES, i.e., precisely to PRICES which are different from the REAL VALUES IN THE DIFFERENT TRADES:

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

This is EXACTLY the CASE. Competition ADJUSTS THE PRICES in the DIFFERENT TRADES so that THE *REMAINING VALUE OR OVERPLUS*, the profit, corresponds to the *VALUE OF THE CAPITAL EMPLOYED*, but not to the REAL VALUE of the commodity, not to the REAL OVERPLUS OF VALUE WHICH IT CONTAINS AFTER THE DEDUCTION OF EXPENSES. TO BRING THIS ADJUSTMENT ABOUT THE PRICE OF ONE COMMODITY MUST BE RAISED ABOVE, AND [that of] THE OTHER [must] BE DEPRESSED BELOW THEIR RESPECTIVE REAL VALUES. It is not the value of the commodities but their cost price, i.e., the EXPENSES they contain+THE GENERAL RATE OF PROFIT, around which competition forces the market prices in the DIFFERENT TRADES to rotate.

Ricardo continues:

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

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

As usual, Ricardo closes the chapter by saying that in the following investigations, he wants to "LEAVE ENTIRELY OUT OF CONSIDERATION" (p. 85) the ACCIDENTAL DEVIATIONS of MARKET PRICES from the COST PRICE; but he overlooks the fact that he has paid no regard at all to the *CONSTANT* DEVIATIONS of MARKET PRICES, in so far as they correspond to COST PRICES, from the REAL VALUES of the commodities and that he has substituted COST PRICE for VALUE.

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

Here Ricardo defends the proposition that the permanent price is determined by the *COST PRICE*, and not by *SUPPLY OR DEMAND*; that, therefore, the permanent price is determined by the *value* of the commodities only in so far as this value determines the COST PRICE. Provided that the prices of the commodities are so adjusted that they all yield a profit of 10%, then every lasting CHANGE in these prices will be determined by a CHANGE in their VALUES, in the labour time required for their production. As this VALUE continues to determine the GENERAL RATE OF PROFIT, so the CHANGES in it continue to determine the VARIATIONS in COST PRICES, although of course *the difference between COST PRICES and VALUES* is thereby *not* superseded. What is superseded is only that the difference between VALUE and ACTUAL PRICE should not [XI-548] be greater *than the DIFFERENCE between COST PRICES and VALUES, a difference that is brought about by the general rate of profit.* With the CHANGES IN THE VALUES OF COMMODITIES, their COST PRICES also change. A "*NEW NATURAL PRICE*" (p. 460) is formed. If, for example, the worker can now produce 20 hats in the same period of time which it previously took him to produce 10 hats, and if wages accounted for $^1/_2$ the EXPENSE of the hat, then the EXPENSES, the COSTS OF PRODUCTION, of the 20 hats, in so far as they consist of wages, have fallen by half. For the same wages are now paid for the production of 20 hats as previously for 10. Thus each hat now contains only $^1/_2$ the expenses incurred in wages. If the hat manufacturer were to sell the hats at the same price he would sell them above the cost price. If the profit had previously been 10% then it would now be $46^2/_3$%, assuming the outlay for the manufacture of a certain quantity of hats was originally 50 for raw material, etc., and 50 for labour. [The outlay] would now be 50 for raw material, etc. and 25 for wages. If the commodity is sold at the old price, then the profit$=^7/_{15}$ or $46^2/_3$%. As a result of the fall in VALUE, the new NATURAL PRICE will therefore fall to such an extent that the price only yields 10% profit. The fall in the value or in the labour time necessary for the production of the commodity reveals itself in the fact that less labour time is used for *the same amount* of commodity, hence also less *paid labour time,* less *wages* and, consequently, the costs, the wages paid (i.e., the *amount* of wages; this does not presuppose a fall *in the rate of wages*) proportionately decline for the production of *each individual* commodity.

This is the case if the CHANGE in value has taken place in the hat making itself. Had it occurred in the production of the raw material or of the instrument of labour, then this would have been similarly expressed as a diminution OF EXPENSE OF WAGES FOR THE PRODUCTION OF A CERTAIN GIVEN QUANTITY OF PRODUCE in these spheres; but to the HAT MANUFACTURER it would denote that his constant capital had cost him less.

The *COST PRICES* or "*NATURAL PRICES*" (which have nothing to do with "NATURE") can fall in two ways as a result of a CHANGE—here a FALL—*IN THE VALUES OF COMMODITIES:*

[*Firstly*] because the wages laid out in the production OF A GIVEN QUANTITY OF COMMODITIES fall, owing to a fall in the aggregate ABSOLUTE

AMOUNT OF LABOUR, PAID LABOUR and UNPAID LABOUR, EXPENDED on this QUANTITY.

Secondly: If, as a result of the increased or diminished productivity of labour (both can occur, the one when the proportion of variable capital to constant capital falls, the other when wages rise owing to the means of subsistence becoming dearer), the ratio of surplus value to the value of the commodity or to the value of the labour contained in it changes, then the rate of profit rises or falls, and the AMOUNT OF LABOUR is differently divided up.

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

Once the cost prices of the commodities in the DIFFERENT TRADES are established, they rise or fall relatively to each other with any change in the VALUES of the commodities. If the productivity of labour rises, the labour time required for the production of a *particular commodity* decreases and therefore its *value falls*; whether this CHANGE in PRODUCTIVITY occurs in the labour used in the final process or in the constant capital, the COST PRICE of this commodity must also fall correspondingly. The *ABSOLUTE AMOUNT of LABOUR employed on it* has been reduced, hence also the AMOUNT of PAID LABOUR it contains and the AMOUNT of wages expended on it, even though the rate of wages has remained the same. If the commodity were sold at its former cost price, then it would yield a higher profit than the GENERAL RATE OF PROFIT, since formerly, this profit was=to 10% on the higher outlay. It would therefore be now more than 10% on the diminished outlay. If on the contrary the productivity of labour decreases, the REAL VALUES of the commodities rise. When the rate of profit is given—or, which is the same thing, the cost prices are given—the relative rise or fall of the cost prices is dependent on the rise or fall, the VARIATION, in the REAL VALUES of the commodities. As a result of this variation, NEW COST PRICES or, as Ricardo says, following Smith, "NEW NATURAL PRICES" take the place of the old.

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

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

Here therefore are COST PRICES or NATURAL PRICES directly [XI-549] identified with "*NATURAL VALUE*", i.e., with "*VALUE*".

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

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

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

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

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

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

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

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

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

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

[In] *CHAPTER VII, BOOK I,* "Of the Natural and Market Price of Commodities" [he says:]

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

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

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

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

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

[b] In the manuscript, this French word is followed by the German word in parenthesis.— *Ed.*

include profit in the cost price? Adam Smith answers like the profound capitalist to whom this question is put:

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

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

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

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

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

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

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

The *production costs* of the commodity or the *cost price* of the commodity is precisely "the *whole value* of the rent, wages, and profit, *which must be paid in order to bring it*" *to market* [Garnier, l.c., t. I, p. 113] [Vol. I, p. 95]. If demand corresponds to supply, then the market price is equal to the natural price.

"When the quantity brought to market is just sufficient to supply the effectual demand and no more, the *market price* naturally comes to be exactly ... the same with the *natural price*" ([Garnier,] l.c., t. I, p. 114) [Vol. I, p. 96]. "The *natural* price, therefore, is, as it were, the central point, to which the prices of all commodities are continually gravitating. Different accidents may sometimes keep them suspended a good deal above it, and sometimes force them down even somewhat below it" ([Garnier,] l.c., t. I, p. 116) [Vol. I, p. 98].

Hence Adam Smith concludes that in general, the

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

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

At this point Smith, only quite incidentally, touches upon the INFLUENCE of the VARIATION IN THE REAL VALUES OF COMMODITIES on the natural prices or cost prices.

Namely in agriculture

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

Adam Smith sees here that a mere CHANGE in the PRODUCTIVITY of "equal quantities of labour", therefore, in the actual values of commodities, alters COST PRICES. But he makes this again more shallow by reducing it to the relation between SUPPLY AND DEMAND. According to his own arguments, the proposition as he presents it, is wrong. For, while in agriculture, as a result of varying seasons, etc., "equal quantities of labour" yield different quantities of products, he himself has demonstrated that as a result of machinery, division of labour, etc., "equal quantities of labour" yield very different amounts of product in manufacture, etc. It is therefore not *this* difference which distinguishes agriculture from the other branches of industry; but the fact that in one case the "degree of productive power" applied is "determined beforehand", while in the other, it depends on accidents of nature. But the result remains the same: the *value of the commodities* or the QUANTITY OF LABOUR which, depending on its productivity, HAS TO BE EXPENDED ON A GIVEN COMMODITY, affects cost prices.

In the following passage Adam Smith has also [shown] how the MIGRATION OF CAPITALS from one TRADE to another establishes cost prices in the various TRADES. But he is not so clear on this as Ricardo. For if the [XI-552] price of the commodity falls *below* its *NATURAL PRICE*, then, according to his argument, this is due to one of the elements of this price falling *below* the NATURAL TAX or rate. Thus it is not due to the withdrawal of *capitals alone* or to the migration of capitals, but to the migration of LABOUR, CAPITAL OR LAND from one branch to another. In this respect his view is more consistent than Ricardo's, but it is wrong.

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

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

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

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

CHAPTER VIII: "Of the Wages of Labour".

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

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

"A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more; otherwise it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation" ([Garnier,] l.c., p. 136) [Vol. I, pp. 113-14].

This, however, becomes meaningless again because he never asks himself how the value of the necessary means of subsistence, i.e., of the *commodity* in general is determined. And here, since he has moved away from his main conception, Adam Smith would have to say: The price of wages is determined by the price of the means of subsistence and the price of the means of subsistence is determined by the price of wages. Having once assumed that the *value* of wages is fixed, he gives an exact description of its fluctuations, as they appear in competition, and the circumstances that cause these fluctuations. This belongs to the exoteric part [of his work] and does not concern us here. (In particular [he deals with] the *accumulation* of capital, but he does not tell us what determines it, since this accumulation can only be rapid either if the rate of wages is relatively low and the productivity of labour high (in this case a rise in wages is always the result of a permanently low level of wages during the preceding period) or if the rate of accumulation is low but the productivity of labour is high. From his standpoint, he would have to deduce the rate of wages in the first case from the rate of profit (I.E., from the rate of wages), and in the second case from the GROSS AMOUNT OF PROFIT, but this would in turn necessitate his investigating the *value* of the commodity.)

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

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

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

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

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

In this connection he touches upon the theory of population:

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

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

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

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

[a] Here Marx quotes Smith in German.—*Ed.*

overseer" ([Garnier,] p. 164 et seq.) [Vol. I, p. 134 et seq.]. The "fund" for replacing the "wear and tear" is frugally used by the free labourer whereas for the slave it is wastefully and disorderly administered.

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

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

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

Adam Smith continues to plead for a high wage.

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

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

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

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

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[a] The words "a result of his long service" are inserted by Garnier in the French translation.—*Ed.*

"The *money price of labour* is necessarily regulated by two circumstances; the demand for labour, and *the price* of the necessaries and conveniencies of life. ...the money price of labour is determined by what is requisite for purchasing this quantity" (of the necessaries and conveniencies of life) ([Garnier,] l.c., p. 175) [Vol. I, p. 144].

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

The causes in good and bad years counterbalance one another.

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

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

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

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

[XI-555] *Chapter IX*: "Of the Profits of Stock".

Here accordingly the natural rate of the second element that determines and constitutes the NATURAL PRICE *or* value of the commodities is to be ascertained. What Adam Smith says about the cause of the *fall in the rate of profit* ([Garnier,] pp. 179, 189, 190, 193, 196, 197, etc.) [Vol. I, pp. 146, 147, 155, 156, 158, 160, 161] will be considered at a later stage.[a]

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

"But *even this can seldom be done with regard to the profits* of stock" ([Garnier,] p. 179) [Vol. I, p. 147]. Apart from the good or bad fortune of the entrepreneur, this profit "is affected ... by every variation of price in the commodities" ([Garnier,] p. 180) [Vol. I, p. 147],

although it is precisely through the NATURAL rate OF PROFIT, as one of the constituent elements of "value", that we are supposed to determine the natural price of these commodities. This is already difficult FOR A SINGLE CAPITALIST IN A SINGLE TRADE.

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

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

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

[a] See present edition, Vol. 32; pp. XIII—673, 693 of Marx's manuscript.—*Ed.*

"*high wages of labour and high profits of stock are naturally things, which scarce ever go together,* except in the peculiar circumstances of new colonies" ([Garnier,] p. 187) [Vol. I, pp. 153-54].

Here Adam Smith tries, like Ricardo—but TO A CERTAIN POINT with more success—to give some approximate explanation of high profits:

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

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

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

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

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

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[a] In the manuscript: "as capitals grow, profit grows and as they diminish, profit falls".—*Ed.*

[b] Smith has "the interest of money".—*Ed.*

"The lowest ordinary rate of profit must always be something more than what is sufficient to compensate the occasional losses to which every employment of stock is exposed. It is this surplus only which is neat or clear profit" ([Garnier,] p. 196) [Vol. I, p. 160].

Adam Smith himself IN FACT characterises what he says about the NATURAL *rate* OF PROFIT:

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

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

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

Low profits and high wages are not reciprocally opposed here, but the same cause—the QUICK GROWTH OR ACCUMULATION OF CAPITAL—produces both. Both enter into the price; they *constitute* it. If therefore one is high while the other is low, the price remains the same, etc.

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

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

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

[a] Smith has "rise of profit".—*Ed.*

made up out of the values of wages and profits—namely, the *amis du commerce*,[a] the faithful practitioners of competition:

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

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

(*Productive and unproductive labour*:

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

Similarly he says of *soldiers*:

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

And of sailors in the navy:

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

Ironically:

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

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

The chapter is full of acute observations and important comments.

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

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[a] Friends of commerce (an expression used by Fourier).—*Ed.*

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

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

Regarding the *false statistical* presentation of wages, for instance in the 16th, 17th, etc., centuries, Adam Smith quite rightly observes that the wages here were only, for example, the wages of COTTIERS,[31] who, when not occupied around their COTTAGES or working for their masters (who gave them a house, "a small garden for pot-herbs, as much grass as will feed a cow, and, perhaps, an acre or two of bad arable land", and, when they employed them, a very poor wage)

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

He makes the altogether true observation that:

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

This point, incidentally, has already been quite well set forth by Steuart, particularly in relation to AGRICULTURAL WAGES—as soon as TIME becomes PRECIOUS.[146]

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

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

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

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

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

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

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

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

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

"The superiority which the industry of the towns has everywhere in Europe over that of the country, is not altogether owing to corporations and corporation laws. It is supported by many other regulations. *The high duties* upon foreign manufactures and upon all goods imported by alien merchants, all tend to the same purpose" ([Garnier,] p. 265) [Vol. I, p. 212]. These "regulations secure them" (the towns) "against the competition of foreigners" ([Garnier,] *l.c.*) [Vol. I, p. 212].

This is an act, no longer of the town bourgeoisie, but of the bourgeoisie already legislating on a national scale as the *corps de nation* or as the Third Estate of the State Assembly or the Lower House. The specific acts of the town bourgeoisie—directed against the country—are the excise and duties levied at the gates, and, in general, the indirect taxes, which have their origin in the towns (see Hüllmann[a]), while the direct taxes are of country origin. It might appear that the excise, for example, is a tax which the town imposes indirectly upon itself. The countryman must advance it, but reimburses himself in the price of the product. But this was not the case in the Middle Ages. The demand for his products—in so far as he converted these into commodities and money at all—[was, in so far as it came] from the town, mostly compulsorily restricted to the area under the jurisdiction of the town, so that he did not have the power to raise the price of his product by the full amount of the town tax.

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

In *CHAPTER* XI of *BOOK I,* Smith then seeks to determine the NATURAL *rate* OF RENT, the 3rd element which constitutes the value of the commodity. We shall postpone consideration of this and first return again to Ricardo.[b]

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

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[a] K. D. Hüllmann, *Staedtewesen des Mittelalters,* Part Two: Grundverfassung. Bonn, 1827, p. 101 et seq.—*Ed.*

[b] See this volume, p. 551 et seq.—*Ed.*

the phenomena of competition. In competition, the COST PRICE and not the VALUE appears as the regulator of the MARKET PRICES—so to speak, as the *immanent price*, the value of the commodity. But in competition this cost price appears to be represented by the given average rate of wages, profit and rent. Hence Adam Smith tries to establish these separately and independently of the *value* of the commodity—rather as elements of the NATURAL PRICE. Ricardo, whose main concern has been the refutation of this Smithian [XI-560] ABERRATION, accepts the result that *necessarily* follows from it—namely *the identity* OF VALUES AND COST PRICES—although with Ricardo this result is logically *impossible*.

RICARDO'S THEORY OF RENT

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

Firstly, some comments on the historical aspect:

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

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

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

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

secondly: nowhere in the world has capitalist production, since Henry VII, dealt so ruthlessly with the *traditional* relations of agriculture, adapting and subordinating the conditions to its own requirements. In this respect England is the most revolutionary country in the world. Wherever the conditions handed down from history were at variance with, or did not correspond to, the requirements of capitalist production on the land, they were ruthlessly swept away; this applies not only to the position of the village communities but to the village communities themselves, not only to the habitats of the AGRICULTURAL POPULATION but to the agricultural POPULATION itself, not only to the original centres of cultivation, but to cultivation itself. The German, for example, meets with economic relations that are determined by traditional circumstances such as land boundaries, the position of the economic centres, given conglomerations of the population. The Englishman meets with historical conditions of agriculture which have been progressively *created* by capital since the end of the 15th century. "*CLEARING OF ESTATES*", a technical term [well known] in the UNITED KINGDOM, will not be found in any continental country. But what is the meaning of this "CLEARING OF ESTATES"? It means that without any consideration for the local inhabitants, who are driven away, for existing village communities, which are obliterated, for agricultural buildings, which are torn down, for the type of agriculture, which is transformed in one fell swoop, for instance arable land converted into grazing pasture—none of the conditions of production are accepted as they have traditionally existed but are historically *transformed* in such a way that, under the circumstances, they will provide the most profitable investment for capital. To that extent, therefore, *no landed property* exists; it gives capital—i.e., the FARMER—full scope, since it is only concerned with monetary income. A Pomeranian landowner,[a] therefore, with his head full of ancestral land boundaries, economic centres and boards of agriculture, etc., may well be amazed by Ricardo's "unhistorical" view of the [XI-561] development of conditions in agriculture. This shows merely that he naïvely confuses Pomeranian conditions with those prevailing in England. But it cannot be said that Ricardo, who in this case starts from the conditions in England, is just as narrow-minded as the Pomeranian landowner, who can think only in terms of Pomeranian conditions. English conditions are the only ones in which *modern landownership*, i.e., landownership which has been *modified* by capitalist production, has been adequately developed. For the modern—the capitalist—mode of production, the English view is here the classical view. The Pomeranian, on the other hand, judges the developed relations from a historically lower and as yet inadequate form.

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

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

A second factor influencing the English was the knowledge they

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[a] An allusion to Rodbertus.—*Ed.*

[b] Marx presumably meant Bastiat, Rodbertus, Say, List, Cherbuliez and others.—*Ed.*

gained through their *colonies*. We have seen[a] that Adam Smith's work—with direct reference to the colonies—already contains the basis for the entire Ricardian viewpoint. In these colonies, and especially in those which produced only merchandise such as tobacco, cotton, sugar, etc., and not the usual foodstuffs, where, right from the start, the colonists did not seek subsistence but set up a business, fertility was of course dicisive, *given the situation* [of the land], and given the fertility, *the situation* of the land was decisive. They did not act like the Teutons, who settled in Germany in order to make their home there, but like people who, driven by motives of *bourgeois production*, wanted to produce *commodities*, and their point of view was, from the outset, determined not by the product but by the sale of the product. That *Ricardo* and other English writers[148] transferred this point of view—which emanated from people who were themselves already the product of the capitalist mode of production—from the colonies to the course of world history and that they took the *capitalist mode of production* as a *prius*[b] for agriculture in general, as it was for *their* colonists, is due to the fact that they saw in these colonies, only in a more obvious form, *without the fight against traditional relations*, and therefore *untarnished*, the same domination of capitalist production in agriculture as hits the eye everywhere in their own country. Hence, if a German professor or landowner—belonging to a country which differs from all others in its complete lack of colonies—considers such a view to be "false", then this is quite understandable.

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

[a] See this volume, pp. 449-50.— *Ed.*
[b] Premiss.— *Ed.*
[c] Never.— *Ed.*

landowner's difficulties in borrowing money—because mostly it is the landowner himself who cultivates the land and not a capitalist class which is quite independent of him—it is understandable that Mr. Rodbertus, for example (p. 211), is surprised at "the Ricardian fiction, that the *supply* of capital is regulated by the *desire* to invest it".[a] What the Englishman lacks is a "FIELD OF ACTION", opportunity for investment of the available stock of capital. But a "desire for capital" to "invest", on the part of the only class which has capital to invest—the capitalist class—this does not exist in England.

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

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

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

Now to the matter in hand.

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

[a] [J. K.] Rodbertus, *Soziale Briefe an von Kirchmann*. Dritter Brief, Berlin, 1851.—*Ed.*

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

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

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

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

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

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

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

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

I have already indicated[a] that Ricardo opens the CHAPTER by stating that it is necessary to examine "WHETHER THE *APPROPRIATION* OF LAND, AND THE CONSEQUENT CREATION OF RENT" (p. 53) do not interfere with the determination of value by labour time. And he says later:

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

This direct and conscious connection which Ricardo's theory of rent has with the determination *OF VALUE* is its theoretical merit. Apart from that this *CHAPTER II* "ON RENT" is RATHER inferior to West's exposition. It contains much that is QUEER, *petitio principii*[b] and UNFAIR DEALING with the problem.

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

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[a] See this volume, p. 394.— *Ed.*

[b] A logical fallacy in which a premiss is assumed to be true without justification.— *Ed.*

[c] Proper.— *Ed.*

production is to take place, as in agriculture, not because it enters *into* production as one of the conditions of production, as in the case of the waterfall or the building site, but because it is a reservoir containing the *use values*, which are to be got hold of through industry.

Ricardo's explanation that:

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

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

As distinct from the *agricultural rent* proper, Adam Smith (says Ricardo) speaks of the rent PAID for wood from virgin forests, RENT OF COAL-MINES and OF STONE-QUARRIES. The way in which Ricardo disposes of this is RATHER STRANGE.

He begins by saying that the RENT OF LAND must not be confused with THE INTEREST AND PROFIT OF CAPITAL ([p.] 53), that is:

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

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

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

Similarly with the STONE-QUARRIES and COAL-MINES.

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

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[a] Let that pass.—*Ed.*

which regulate the progress of rent, are widely different from those which regulate the progress of profits, and seldom operate in the same direction"* ([pp.] 54-55).

This is very STRANGE LOGIC. One must distinguish *RENT* paid to the OWNER of the LAND for the *USE* of the *ORIGINAL and "INDESTRUCTIBLE POWERS OF THE SOIL"* from the *INTEREST and PROFIT* which is paid to him for the capital he has invested in *AMELIORATING* the land, etc. The "*COMPENSATION*" which is paid to the owner of naturally-grown forests for the right TO "REMOVE" wood, or to the owner of STONE-QUARRIES and COAL-MINES for the right TO "REMOVE" stones and coal, is not *RENT*, because it is not a payment for the "USE OF THE ORIGINAL AND INDESTRUCTIBLE POWERS OF THE SOIL". VERY WELL! But Ricardo argues as though this "COMPENSATION" were the same as the profit and interest which are paid for capital invested in AMELIORATIONS of the land. But this is wrong. Has the owner of a "virgin forest" invested "capital" in it so that it may bear "wood" or has the owner of stone-quarries and coal-mines invested "capital" in these, so that they may contain "stones" and "coal"? Whence, therefore, his "COMPENSATION"? It is by no means—as Ricardo tries to make out—PROFIT or INTEREST OF CAPITAL. Therefore it is "*RENT*" and NOTHING ELSE, even if it is not RENT as defined by Ricardo. But this only shows that his definition of rent excludes those forms of it where the "COMPENSATION" is paid for mere *natural things*, in which no human labour is embodied, and where it is paid to the *owner* of these natural things only because he is the "owner", *the owner of land*, whether this consists of soil, forest, fish pond, waterfall, building land or anything else. But, says Ricardo, the man who *paid* for the right to fell trees in the virgin forest, paid "IN CONSIDERATION OF THE *VALUABLE COMMODITY* WHICH WAS THEN *STANDING ON THE LAND*, AND ACTUALLY *REPAID HIMSELF WITH A PROFIT*, BY THE SALE OF THE TIMBER".[a] Stop! When Ricardo here calls the WOOD, i.e., the trees "*STANDING ON THE LAND*" in the virgin forest a "*VALUABLE* COMMODITY", then this means only that it is δυνάμει[b] a *use value*. And this use value is expressed here in the word "VALUABLE". But it is not a "*COMMODITY*". Because for this it would, at the same time, have to be exchange value, in other words, THE REALISATION OF A CERTAIN QUANTITY OF LABOUR EXPENDED UPON IT. It only becomes a COMMODITY by being separated from the virgin forest, by being felled, REMOVED and transported—by being transformed from WOOD into TIMBER. Or does it only become a COMMODITY by the fact it is *sold*? Then arable land too becomes a COMMODITY by the mere act of *selling*?

Then we would have to say: *RENT is the* PRICE PAID TO *THE OWNER OF*

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[a] D. Ricardo, *On the Principles of Political Economy...*, third edition, London, 1821, p. 54.—*Ed.*

[b] Potentially.—*Ed.*

NATURAL FORCES OR MERE PRODUCTS OF NATURE FOR THE RIGHT OF USING THOSE FORCES OR APPROPRIATING (BY LABOUR) THOSE PRODUCTS. This is in fact the form in which ALL RENT *appears* originally. But then the question remains to be solved, how things which have no *VALUE* can have a *PRICE* and how this is compatible with the general theory *OF VALUES*. The question: for *what purpose* does the man pay "A COMPENSATION" FOR THE RIGHT TO REMOVE WOOD FROM THE LAND UPON WHICH IT STANDS, has nothing to do with the real question. The question is: from what *fund* does he pay? Well, says Ricardo, "*BY THE SALE OF THE TIMBER*". That is, out of the *price* of the TIMBER. And furthermore, this price was such THAT, as Ricardo says, THE MAN "ACTUALLY REPAID HIMSELF *WITH A PROFIT*". Now we know where we are. The price of the timber must at any rate equal the sum of money REPRESENTING THE QUANTITY OF LABOUR NECESSARY TO FELL THE TIMBER, TO REMOVE IT, TO TRANSPORT IT, TO BRING IT TO MARKET. Now is the profit with which the man "REPAYS" HIMSELF, an addition over and above this *value*, this exchange value JUST IMPARTED[a] to the timber through the LABOUR EXPENDED UPON IT? If Ricardo said this then he would fall into the crudest conception, far beneath his own doctrine. No. Given that the man was a capitalist, the profit is part of the labour he employed in the production of the "timber", the part for which he did *not pay*; and the man would have made the same profit, if he had set in motion the same MASS OF LABOUR, shall we say, in COTTON SPINNING. (If the man is not a capitalist, then the profit=that quantity of his labour which he exerts beyond that which is necessary to cover his wages, and which would have constituted the profit of the capitalist, had a capitalist employed him, but which now constitutes his own profit because he is his own wage labourer and his own capitalist in *one and the same* person.) But here we come to the *UGLY WORD* that this timber man "ACTUALLY *REPAID* HIMSELF WITH A PROFIT". This gives the whole transaction a very ordinary look and corresponds to the crude manner of thinking which this capitalist, who REMOVES timber, may himself have of the source of his profit. First he pays the owner of the virgin forest for the use value of wood, which, however, has no "value" (VALUE IN EXCHANGE) and which, so long as it "STANDS UPON THE LAND", has not even a use value. He may pay him £5 per ton. And then he sells the same wood to the public (setting aside his other costs) at £6 and so ACTUALLY pays back to himself the £5 with a profit of 20%. [He] "ACTUALLY REPAID HIMSELF WITH A PROFIT". If the owner of the forest had only demanded "COMPENSATION" of £2 (40s.), then the timber man would have sold the ton at £2 8s.

[a] In the manuscript this English word is given after its German equivalent.—*Ed.*

instead of at £6. [XI-566] Since he always adds the same rate of profit, the price of timber would be high or low here because the rent is high or low. The latter would enter into the price as a constituent part but would in no way be the result of the price. Whether the "RENT"—COMPENSATION—is paid to the OWNER of the land for the USE of the "power" of the land or for the "USE" of the "NATURAL PRODUCTS" of the land, in no way alters the economic relations, in no way alters the fact that money is paid for "A NATURAL THING" (POWER OR PRODUCE OF THE EARTH) UPON WHICH NO PREVIOUS HUMAN LABOUR HAS BEEN SPENT. And thus on the 2nd page of his CHAPTER "*ON RENT*" Ricardo would have overthrown his whole theory in order to avoid a difficulty. It would appear that Adam Smith was a great deal more far-sighted here.

The same CASE with the STONE-QUARRIES and COAL-MINES.

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

No! But there is a very significant CONNECTION WITH THE "*ORIGINAL* AND DESTRUCTIBLE *PRODUCTS* OF THE SOIL". The word "*VALUE*" is just as UGLY here as the phrase "*REPAID* HIMSELF WITH A PROFIT" was above.

Ricardo never uses the word *VALUE* for UTILITY or USEFULNESS or "VALUE IN USE". Does he therefore mean to say that the "COMPENSATION" is paid to the OWNER of the QUARRIES and COAL-MINES for the "*VALUE*" the COAL and STONE have before they ARE REMOVED FROM THE QUARRY AND THE MINE—IN THEIR ORIGINAL STATE? Then he invalidates his entire doctrine of VALUE. Or does *VALUE* mean here, as it must do, the *possible* use value and hence also the *PROSPECTIVE exchange value* of COAL and STONE? Then it means nothing but that their OWNER is paid *RENT* for the permission to use the "ORIGINAL COMPOSITION OF THE SOIL" for the production of coal and stones. And it is absolutely incomprehensible why this should not be called "RENT", in the same way as if the permission were given to use the "POWERS" of the land for the production of wheat. Or we end up again with the annulment of the whole theory of rent, as explained in connection with wood. According to the correct theory, there are no difficulties involved here at all. The labour, or capital, employed in the "production" //not reproduction// of wood, coal or stone (this labour, it is true, does not create these natural products, but separates them from their elementary connection with the earth and so "produces" them as usable wood, coal or stone) evidently belongs to those spheres of production in which the part of capital laid out in wages is greater than that laid out in constant capital, the direct labour is greater than the "past" labour the result of which serves as a means of production. If, therefore, the commodity is sold at its value here, then this value will be above its *cost price*, i.e., the wear and tear of the instruments of labour, the wages, and the average profit. The *excess can* thus be paid as rent to the OWNER OF FOREST, QUARRY or COAL-MINE.

But why these CLUMSY MANOEUVRES of Ricardo's, such as the wrong use of VALUE, etc.? Why this CLINGING to the explanation of RENT as a payment for the USE of the "ORIGINAL AND INDESTRUCTIBLE POWERS OF THE LAND"? Perhaps the answer will emerge later. In any case, he wants to distinguish, to mention specifically, the agricultural rent in the strict sense and at the same time to open the way for differential rent, by saying that payment for this elementary POWER can only be made in so far as it develops DIFFERENT DEGREES OF POWER.

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

[a] Marx crossed out and then restored the part of the sentence from the words "and indeed..." to the end.—*Ed.*

wages and less profit. The *proportion* of the *rate of rent* to profit would, however, not be affected by this. Hence we can [XI-567] only say the following:

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

If there is an *ADDITIONAL DEMAND* to be satisfied, an ADDITIONAL DEMAND moreover that equals the difference in fertility between the new and the old MINES and QUARRIES, then *the same amount of capital* will be used now as previously. The value of the individual ton falls. But the total tonnage has the same value as before. As regards the individual ton, the size of the portions of value which resolve into profit and rent decreased together with the value it contained. But since the amount of *capital* has remained the same and with it the total value of its product and no *organic* CHANGE has taken place in its composition, the *ABSOLUTE AMOUNT OF RENT AND PROFIT* has remained the same.

If the *ADDITIONAL DEMAND* is so great that with the same capital investment it is not covered by the difference in FERTILITY between the NEW and the OLD MINES and QUARRIES, then ADDITIONAL CAPITAL will have to be employed in the new mines. In this case—provided the GROWTH of the total capital invested is not accompanied by a CHANGE in the division of labour, the application of machinery, in other words provided there is *no* CHANGE in the *organic* composition of the capital—*the AMOUNT OF rent and profit grows* because the value of the total product grows, the value of the total tonnage, although the value of each individual ton falls and therefore also that part of its value which resolves into rent and profit.

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

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

Thus the *AMOUNT OF RENT* does not necessarily fall if the worse SOIL, QUARRY, COAL-MINE etc. is abandoned. The *rate of rent*, moreover, can never fall if this abandoning is purely the result of *lesser* natural fertility.

Ricardo distorts the correct idea, that in this case, depending on the STATE OF DEMAND, the *AMOUNT OF RENT* may fall, in other words depending upon whether the *amount of capital employed* decreases, remains the same or grows; he confuses it with the fundamentally wrong idea, that the *RATE OF RENT* must fall, which is an *impossibility* on the assumption made, since it has been assumed that *no CHANGE IN THE ORGANIC COMPOSITION OF CAPITAL* has taken place, therefore no CHANGE affecting the *relationship between value and COST PRICE*, the only relationship that determines the *RATE OF RENT*.

But what happens to *DIFFERENTIAL RENTS* in this case?

Supposing that 3 groups of COAL-MINES were being worked: I, II and III. Of these, I bore the absolute rent, II a rent which was twice that of I, and III a rent which was twice that of II or four times that of I. In this example, I bears the absolute rent R, II 2R and III 4R. Now if No. IV is opened up, and if this is more productive then I, II and III, and if it is so extensive that the capital invested in it can be as great as that in I, [then] in this case—THE FORMER *STATE OF DEMAND REMAINING CONSTANT*—the same amount of capital as was previously invested in I would now be invested in IV. I would thereupon be closed and a part of the capital invested in II would have to be WITHDRAWN. III and IV would suffice to replace I and a part of II, but they would not suffice TO SUPPLY THE WHOLE DEMAND, WITHOUT PART OF II CONTINUING TO BE

WORKED. Let us assume, for the sake of the illustration, that IV—using the same amount of capital as was previously invested in I—is capable of providing the whole of the supply from I and half the supply from II. If, therefore, $^1/_2$ the previous capital were invested in II, the old capital in III and the new in IV, then THE WHOLE MARKET WOULD BE SUPPLIED.

[XI-568] WHAT THEN WERE THE CHANGES THAT HAD TAKEN PLACE, OR HOW WOULD THE CHANGES ACCOMPLISHED AFFECT THE GENERAL RENTAL, THE RENTS OF I, II, III AND IV?

*The *absolute rent*, derived from IV, would, in amount and rate, be absolutely the same as that formerly derived from I; in fact the *absolute rent*, in amount and rate, would also before have been the same on I, II and III, always supposing that the *same amount of capital* was employed in those different classes. The value of the produce of IV would be exactly identical to that formerly employed on I, because it is the produce of a capital *of the same magnitude* and of a capital of the *same organic composition*. Hence the difference between value and cost price must be the same; hence the rate of rent. Besides, the amount [of rent] must be the same, because—at a *given rate* of rent—capitals of the same magnitude would have been employed. But, since the value of the coal is not determined by the value of the coal derived from IV, it would bear an excess rent, or an overplus over its *absolute rent*; a rent derived, not from any difference between cost price and value, but from the difference between the *market value* and the *individual value* of the produce No. IV.*

When we say that the absolute rent or the difference between value and cost price on I, II, III, IV, is *the same*, provided the *magnitude* of the capital invested in them, and therefore the AMOUNT OF RENT WITH A GIVEN RATE OF RENT is the same, then this is to be understood in the following way: The (individual) value of the coal from I is higher than that from II and that from II is higher than that from III, because *one* ton of coal from I contains more labour than one ton from II and one ton from II more than one ton from III. But since the *ORGANIC COMPOSITION* of the capital is in all 3 cases the same, this difference does not affect the *individual ABSOLUTE RENT* yielded by I, II, III. For if the value of a ton from I is greater, so is its cost price; it is only greater in the proportion that *more capital* of the same organic composition is employed for the production of *one* ton in I than in II and of one ton in II than in III. This difference in their values is, therefore, exactly equal to the difference in their *cost prices*, in other words to [the difference in] the relative amount of capital EXPENDED TO PRODUCE ONE TON OF COAL in I, II and III. The variation in the magnitudes of value in the 3 classes does not, therefore, affect the *difference between value and cost price* in the various classes. If the value is greater, then the *cost price is greater in the same proportion*, for the value is only greater in proportion as more *capital* or LABOUR is EXPENDED; hence the relation between value and cost price remains the same, and hence *ABSOLUTE RENT* is the same.

But now let us go on to see what is the situation regarding *differential rent*.

Firstly, *less* capital is now being employed in the entire production of coal in II, III and IV. For the capital in IV is as great as the capital in I had been. Furthermore, half the capital employed in II is now WITHDRAWN. The AMOUNT OF RENT on II therefore will at all events drop by a half. Only one CHANGE has taken place in capital investment, namely in II, because in IV the same amount of capital is invested as was previously invested in I. We have, moreover, assumed that capitals of the same size were invested in I, II and III, for example 100 in each, altogether 300; now therefore only 250 are invested in II, III and IV, or $^1/_6$ of the capital HAS BEEN WITHDRAWN FROM THE PRODUCTION OF COAL.

Moreover, the *market value* of coal has fallen. We saw that I yielded R, II 2R and III 4R. Let us assume that the product of 100 on I=120, of which R=10 and 10=profit, then the market value of II was 130 (10 profit and 20 rent), and of III 150 (10 profit and 40 rent). If the product of I=60 tons (£2 per ton), then that of II=65 tons and that of III=75 tons and the total production=60+65+75 tons=200 tons. Now 100 will produce as much in IV as the total product of I and half the product of II, namely, 60+32$^1/_2$ tons=92$^1/_2$ tons, which, according to the old market value, would have cost £185 and since the profit=10 would thus have yielded a rent of £75, amounting to 7$^1/_2$ R, for the absolute rent=10.

II, III and IV continue to yield the same number of tons, 200, since 32$^1/_2$+75+92$^1/_2$=200 tons.

But what is the position now, with regard to market value and DIFFERENTIAL RENTS?

In order to answer this we must see what is the amount of the *ABSOLUTE INDIVIDUAL RENT* of II. We assume that the absolute difference between *cost price and value* in this sphere of production=10%=the rent yielded by the worst mine, although this is not necessary unless the *market value* was absolutely determined by the *value* of I. [XI-569] If this was, indeed, the case, then the rent on I (if the COAL from I were sold at its value) in fact represented the excess of value over its own COST PRICE and the GENERAL COST PRICE OF COMMODITIES in this *sphere of production*. II would therefore be selling its products at their value, if it sold its tonnage (the 65 tons) at £120, i.e., the individual ton at £1 $^{11}/_{13}$. That instead it sold them at £2 was only due to the excess of the market value, as determined by I, over its individual value; it was due to the excess, not of its *value*, but of its *market value over its cost price*.

Moreover, on the assumption made, II now sells instead of 65, only 32 $^{1}/_{2}$ tons, because a capital of only 50 instead of a capital of 100 is now invested in the mine.

II therefore now sells 32 $^{1}/_{2}$ tons at £60. 10 on 50 is 20%. Of the £60, 5 are profit and 5 rent.

Thus we have for II: Value of the product, £1 $^{11}/_{13}$ per ton; number of tons=32 $^{1}/_{2}$; total value of the product=£60; *rent*=£5. The rent has fallen from 20 to 5. If *the same* AMOUNT of capital were still employed, then it would only have fallen to 10. The rate has therefore only fallen by half. That is, it has fallen by the total difference that existed between the *market value* as determined by I and its own value, the difference therefore that existed over and above the difference between its own value and cost price. Its differential rent was 10; its rent is now 10=to its absolute rent. In II, therefore, with the reduction of the market value to the *value* (of coal from II) differential rent has disappeared and consequently also the increased RATE OF RENT which was doubled by this differential rent. Thus it has been reduced from 20 to 10; with this *given rate of rent*, however, the rent has been further reduced from 10 to 5, because the capital invested in II has fallen by half.

Since the *market value* is now determined by the value of II, i.e., by £1 $^{11}/_{13}$ per ton, the *market value* of the 75 tons produced by III now=£138 $^{6}/_{13}$, of which rent=£28 $^{6}/_{13}$. Previously the rent=£40. It has, therefore, fallen by £11 $^{7}/_{13}$. The difference between this rent and the absolute rent used to be 30; now it only amounts to 18 $^{6}/_{13}$ (for 18 $^{6}/_{13}$+10=28 $^{6}/_{13}$). Previously it=4R, now it is only 2R+£8 $^{6}/_{13}$. As the amount of capital invested in III has remained the same, this fall is entirely due to the fall in the *rate of differential rent*, i.e., the fall in the excess of the market value of III over its individual value. Previously, the whole AMOUNT of the rent in III was equal to the excess of the *higher market value* over the price of production, now it is only=to the excess of the *lower* market value over the cost price[149]; the difference is thus coming closer to the absolute rent of III. With a capital of 100, III produces 75 tons, whose value=£120; one ton is therefore=to £1 $^3/_5$. But III sold the ton at £2, the previous market price, therefore, at £ $^2/_5$ more. On 75 tons, this amounted to $^2/_5 \times 75$=£30, and this was in fact the differential rent of rent [III], for the rent was 40 (10 absolute and 30 differential rent). Now, according to the new market value, the ton is sold at only £1 $^{11}/_{13}$. How much above its value is this? $^3/_5={}^{39}/_{65}$ and $^{11}/_{13}={}^{55}/_{65}$. Thus the ton is sold $^{16}/_{65}$ too dear. On 75 tons this amounts to 18 $^6/_{13}$, and this is exactly the differential rent, which is thus always equal to the number of tons multiplied by the excess of the market value of the ton over the [individual] value of the ton. It now remains to work out the fall in rent by 11 $^7/_{13}$. The excess of the market value over the value of III has fallen from $^2/_5$ of a £ per ton (when it was sold at £2) to $^{16}/_{65}$ per ton (at £ 1 $^{11}/_{13}$), i.e., from $^2/_5={}^{26}/_{65}$ to $^{16}/_{65}$, [which is by] $^{10}/_{65}$. On 75 tons this amounts to $^{750}/_{65}={}^{150}/_{13}$=11 $^7/_{13}$, and this is EXACTLY the AMOUNT by which the rent in III has fallen.

[XI-570] The 92 $^1/_2$ tons from IV, at 1 $^{11}/_{13}$ [per ton],=£170 $^{10}/_{13}$. The rent here=60 $^{10}/_{13}$ and the differential rent=50 $^{10}/_{13}$.

If the 92 $^1/_2$ tons were sold at their value (£120), then 1 ton would cost £1 $^{11}/_{37}$. Instead it is being sold at 1 $^{11}/_{13}$. But $^{11}/_{13}={}^{407}/_{481}$ and $^{11}/_{37}={}^{143}/_{481}$. This makes the excess of the market value of IV over its value equal to $^{264}/_{481}$. On 92 $^1/_2$ tons this amounts to exactly £50 $^{10}/_{13}$, which is the differential rent of IV.

Now let us put these two CASES together, under A and B.

The two tables [below] give rise to some very important considerations.

A

	Capital	Absolute rent	Number of tons	Market value per ton	Individual value per ton	Total value	Differential rent
Ist class	100	10	60	£2	£2	120	0
IInd class	100	10	65	£2	£1 $^{11}/_{13}$	130	10
IIIrd class	100	10	75	£2	£1 $^3/_5$	150	30
Total	300	30	200			400	40

The total number of tons=200. Total absolute rent=30.
Total *differential rent*=40. Total rent=£70.

B

	Capital	Absolute rent	Number of tons	Market value per ton	Individual value	Total value	Differential rent
IInd class	50	5	$32\,^1/_2$	£$1\,^{11}/_{13}$	£$1\,^{11}/_{13}$	£60	0
IIIrd	100	10	75	£$1\,^{11}/_{13}$	£$1\,^3/_5$	$138\,^6/_{13}$	$18\,^6/_{13}$
IVth	100	10	$92\,^1/_2$	£$1\,^{11}/_{13}$	£$1\,^{11}/_{37}$	$170\,^{10}/_{13}$	$50\,^{10}/_{13}$
Total	250	25	200			$369\,^3/_{13}$	$69\,^3/_{13}$

Total capital=250. Absolute rent=25. Differential rent=$69\,^3/_{13}$. *Total rent*: $94\,^3/_{13}$. The total value of the 200 tons has fallen from 400 to $369\,^3/_{13}$.

First of all we see that the amount of *absolute rent* rises or falls proportionately to the capital invested in agriculture,[150] that is, to the total amount of capital invested in I, II, III. The *rate of this absolute rent* is quite independent of the size of the capitals invested for it does not depend on the difference in the various types of land but is derived from the difference between value and [cost] price; this latter difference however is itself determined by the *organic composition* of the AGRICULTURAL CAPITAL, by the mode of production and not by the land. In *II B*, the *amount* of the absolute rent falls from 10 to 5, because the capital has fallen from 100 to 50; half [XI-571] the capital has been withdrawn.

Before making any further observations on the two tables, let us construct some other tables. We saw that in B the market value fell to £$1^{11}/_{13}$ per ton. But at this *value*, there is no necessity either for I A to disappear completely from the market, or for II B to employ only half the previous capital. Since in I, the rent=10 out of the total value of the commodity of 120, or $^1/_{12}$ of the total value, [this applies] equally to the value of the individual ton which is worth £2. £$^2/_{12}$, however, is £$^1/_6$ or $3^1/_3$s. ($3^1/_3$s.×60=£10). The *cost price* of a ton from I is thus £1 $16^2/_3$s. The [new] market value is £ $1\,^{11}/_{13}$, or £1 $16\,^{12}/_{13}$s. $16\,^2/_3$s., however,=16s. 8d. or $16\,^{26}/_{39}$s. Against this, $16^{12}/_{13}$s.=$16^{36}/_{39}$s. or $^{10}/_{39}$s. more. This would be the rent per ton, at the new market value [$^{10}/_{39}$s.] and would amount to a total rent of $15^5/_{13}$s. for 60 tons. Therefore we put less than 1% rent on the capital of 100. For I A to yield no rent at all, the market value would have to fall to *its* cost price, namely, to £1 $16^2/_3$s. or to £$1^5/_6$ (or to £$1^{10}/_{12}$). In this case the rent on I A would have disappeared. It could, however, continue to be exploited with a profit of 10%. This would only cease if the market value were to fall further, below £$1^5/_6$.

So far as *II B* is concerned, it has been assumed in Table *B* that half of the capital is WITHDRAWN. But since the market value of £1 $^{11}/_{13}$ still yields a rent of 10%, it will do so just as well on 100 as on 50. If, therefore, it is assumed that half the capital has been WITHDRAWN, then only because under these circumstances, II B still yields an absolute rent of 10%. For if [II] B had continued to produce 65 tons instead of 32 $^{1}/_{2}$, then the market would be over-supplied and the market value of IV, which dominates the market, would fall to such an extent that the capital investment in II B would have to be reduced in order to yield the absolute rent. It is however clear that, if the whole capital [of] 100 yields rent at 9%, the sum total is greater than that yielded by [a capital of] 50 at 10%. Thus if, according to the state of the market, a capital of only 50 were required in II to satisfy the demand, the rent would have to be forced down to £5. It would, in fact, fall even lower, if it is assumed that the additional 32 $^{1}/_{2}$ tons cannot always be disposed of, i.e., if they were thrown out of the market. The market value would fall so low that not only the rent on II B would disappear, but the profit would also be affected. Then capital would be withdrawn in order to diminish supply, until the correct point of 50 had been reached and then the market value would have been re-established at £1 $^{11}/_{13}$, at which II B would again yield the absolute rent, but only on half the capital previously invested in it. In this instance too, the whole process would emanate from IV and III, who dominate the market.

But it does not by any means follow that if the market only absorbs 200 tons at £1 $^{11}/_{13}$ per ton, it will not absorb an additional 32 $^{1}/_{2}$ tons if the market value falls, i.e., if the market value of 232 $^{1}/_{2}$ tons is forced down through the pressure of 32 $^{1}/_{2}$ surplus tons on the market. The cost price in *II B* is [110:65, i.e.] £1 $^{9}/_{13}$ or £1 13 $^{11}/_{13}$s. But the market value is £1 $^{11}/_{13}$ or £1 16 $^{12}/_{13}$s. If the market value fell to such an extent that *I A* no longer yielded a rent, i.e., [if the market value fell] to the cost price of I A, to £1 16 $^{2}/_{3}$s. or £1 $^{5}/_{6}$ or £1 $^{10}/_{12}$, then for *II B* to use its whole capital, demand would have to grow considerably; since I A could continue to be exploited, as it yields the normal profit. The market would have to absorb not 32 $^{1}/_{2}$ but 92 $^{1}/_{2}$ additional tons, 292 $^{1}/_{2}$ tons instead of 200, i.e. [almost] half as much again. This is a very significant increase. If a moderate increase is to take place, the market value would have to fall to such an extent that I A is driven out of the market. That is, the market price would have to fall below the cost price of I A, i.e., below £1 $^{10}/_{12}$, say, to £1 $^{9}/_{12}$ or £1 15s. It would then still be well above the cost price of *II B*.

We shall therefore add a further three tables to the tables A and

B, namely, C and D and E. And we shall assume in C that the demand grows, so that all classes of A and B can continue to produce, but at the market value of B, at which *I A* still yields a rent. In D we assume that [the demand] is sufficient for *I A* to continue to yield the normal profit but no longer a rent. And we shall assume in E that the price falls sufficiently to eliminate I A from the market [XI-572] but that the fall of the price simultaneously leads to the absorption of the $32^1/_2$ surplus tons from *II B.*

The CASE assumed in A and B is possible. It is possible that if the rent is reduced from £10 to barely 16s., I A would withdraw its land from this particular form of exploitation and let it out to another sphere of exploitation, in which it can yield a higher rent. But in this CASE, *II B* would be forced through the process described above, TO WITHDRAW $^1/_2$ OF HIS CAPITAL, if the market did not expand upon the appearance of the new market value.

C

	Capital	Absolute rent	Number of tons	Market value	Individual value	Total value	Rent	Differential rent
Ist class	100	£$^{10}/_{13}$	60	£$1^{11}/_{13}$	£2	£$110^{10}/_{13}$	£$^{10}/_{13}$ or $15^5/_{13}$s.	−£$9^3/_{13}$
IInd	100	£10	65	$1^{11}/_{13}$	£$1^{11}/_{13}$	120		0
IIIrd	100	10	75	$1^{11}/_{13}$	$1^3/_5$	$138^6/_{13}$		+£$18^6/_{13}$
IVth	100	10	$92^1/_2$	£$1^{11}/_{13}$	£$1^{11}/_{37}$	$170^{10}/_{13}$		+$50^{10}/_{13}$
Total:	400	$30^{10}/_{13}$	$292^1/_2$			540		$69^3/_{13}$

D

	Capital	Absolute rent	Market value	Cost price	Number of tons	Total value	Differential rent
Ist class	100	0	£$1^5/_6$	£$1^5/_6$	60	£110	0 (−)
IInd	100	$9^1/_6$	£$1^5/_6$		65	$119^1/_6$	− (latent)
IIIrd	100	10	£$1^5/_6$		75	$137^1/_2$	+$17^1/_2$
IVth	100	10	$1^5/_6$		$92^1/_2$	$169^7/_{12}$	+$49^7/_{12}$
Total	400	$29^1/_6$			$292^1/_2$	$536^1/_4$	$67^1/_{12}$[a]

[a] The manuscript has "$66^1/_6$". Marx changed this to "$67^1/_{12}$" later, in a summary table (see the table between pp. 480-81 of this volume).—*Ed.*

E

	Capital	Absolute rent	Market value	Cost price	Number of tons	Total value	Differential rent
IInd	100	£3³/₄	£1⁹/₁₂	£1⁹/₁₃	65	113³/₄	—*vacat*[a]
IIIrd	100	10	£1⁹/₁₂		75	131¹/₄	+11¹/₄
IVth	100	10	£1⁹/₁₂		95	166¹/₄	+46¹/₄
Total:	300	23³/₄			235	411¹/₄	+57¹/₂

[XI-573] Now let us compile the tables, A, B, C, D and E, but in the manner which should have been adopted from the outset. *Capital, Total value, Total product, Market value per ton, Individual value, Differential Value,*[151] *Cost Price, Absolute rent, Absolute rent in tons, Differential rent, Differential rent in tons, Total rent.* And then the totals of all classes in each table.[152]

[XI-575] COMMENT ON THE TABLE (P. [XI-] 574)

It is assumed that a capital of 100 (constant and variable capital) is laid out and that the labour it employs provides surplus labour (unpaid labour) amounting to $^1/_5$ of the total capital advanced, or a surplus value=$^{100}/_5$. If, therefore, the capital advanced=£100, the *value* of the total product must be £120. Supposing furthermore that the average profit=10%, then £110 is the *cost price* of total product, in the above example, of coal. With the given rate of surplus value or surplus labour, the £100 capital transforms itself into a *value* of £120, whether poor or rich mines are being exploited; in a word: The *varying productivity* of labour—whether this variation be due to varying natural conditions of labour or varying social conditions of labour or varying technological conditions—does not alter the fact that the value of the commodities equals the quantity of labour materialised in them.

Thus to say the *value* of the *product* created by the capital of 100=120, simply means that the *product* contains the labour time materialised in the £100 capital+$^1/_6$ of labour time which is unpaid but appropriated by the capitalist. The total value of the product=£120, whether the capital of 100 produces 60 tons in one class of mines or 65, 75 or 92$^1/_2$ in another. But clearly, the value of the individual part, be it measured by the ton, as here, the quarter or yard etc., varies greatly according to the productivity. But to stick to our table (the same applies to every other mass of commodities brought about by capitalist production) the value of 1 ton=£2, if the total product of the capital=60 tons, i.e.,

[a] None.—*Ed.*

60 tons are worth £120 or represent labour time=to that which is materialised in £120. If the total product=65 tons, then the value of the individual ton=£1 $16^{12}/_{13}$s. or £$1^{11}/_{13}$; if it amounts to 75 tons, then the value of the individual ton=£$1^{9}/_{15}$ or £1 12s.; finally, if it=$92^{1}/_{2}$ tons, then the value per ton=£$1^{11}/_{37}$ or £1 $5\,^{35}/_{37}$s. Because the total mass of commodities or tons produced by the capital of 100 always has the same *value,*=£120, since it always represents the same *total quantity of labour* contained in £120, the *value* of the individual ton varies, according to whether *the same* value is represented in 60, 65, 75 or $92^{1}/_{2}$ tons, in other words, it varies with the different productivity of labour. It is this difference in the productivity of labour which causes *the same quantity of labour* to be represented sometimes in a smaller and sometimes in a larger total quantity of commodities, so that the *individual part* of this total contains now more, now less, of the ABSOLUTE AMOUNT OF LABOUR EXPENDED, and, therefore, accordingly has sometimes a larger and sometimes a smaller value. This value of the individual ton, which varies according to whether the capital of £100 is invested in more fertile or less fertile mines and therefore according to the different productivity of labour, figures in the table as the *individual value* of the individual ton.

Hence nothing could be further from the truth than the notion that when the value of the individual commodity falls with the rising productivity of labour, the *total value* of a product produced by a particular capital—for instance, 100—rises because of the increased mass of commodities in which it is represented. For the value of the individual commodity only falls because the *total value*—the total quantity of LABOUR EXPENDED—is represented by a larger quantity of use values, of products. Hence a relatively smaller part of the total value or of the LABOUR EXPENDED falls to the individual product and this only *to the extent* to which a smaller quantity of labour is absorbed in it or a smaller amount of the total value falls to its share.

Originally, we regarded the *individual commodity* as the result and direct product of a particular quantity of labour. Now, that the commodity appears as the *product of capitalist production,* there is a formal change in this respect:

The mass of use values which has been produced represents a *quantity of labour time,* which=the quantity of labour time contained in the capital (constant and variable) consumed in its production+the unpaid labour time appropriated by the capitalist. If the labour time contained in the capital, as expressed in terms of money, amounts to £100 and this capital of £100 comprises

£40 laid out in wages, and if the surplus labour time amounts to 50% on the variable capital, in other words, the rate of surplus value=50%, then the value of the total mass of commodities produced by the capital of 100=£120. As we have seen in the first part of this work,[a] if the commodities are to circulate, their exchange value must first be converted into a *price*, i.e., expressed in terms of money. Thus [XI-576] before the capitalist throws the commodities on to the market, he must first work out the *price* of the individual commodity, unless the total product is a single indivisible object, such as, for example, a house, in which the total capital is represented, *a single commodity*, whose price according to the assumption would then=£120,=the total value as expressed in terms of money. *Price* here=MONETARY EXPRESSION OF VALUE.

According to the varying productivity of labour the total value of £120 will be distributed over more or fewer products. Thus the value of the *individual* product will, accordingly, be proportionally equal to a larger or a smaller part of £120. The whole operation is quite simple. For example, if the total product=60 tons of coal, 60 tons=£120 and 1 ton=£$^{120}/_{60}$=£2; if the product is 65 tons, the value of the individual ton=£$^{120}/_{65}$=£1$^{11}/_{13}$ or £1 16$^{12}/_{13}$s. (=£1 16s. 11$^{1}/_{13}$ d). If the product=75 tons, the value of the individual ton=$^{120}/_{75}$=£1 12s.; if it=92$^{1}/_{2}$ tons, then it=£1 $^{11}/_{37}$=£1 5$^{35}/_{37}$s. The value (price) of the individual commodity thus=the *total value* of the product divided by the total number of products, which are measured according to the standard of measurement—such as tons, quarters, yards, etc.—appropriate to them as use values.

If, therefore, the price of the individual commodity equals the total value of the mass of commodities produced by a capital of 100, divided by the total number of commodities, then the total value=the price of the individual commodity×the total number of individual commodities or it equals the price of a definite quantity of individual commodities×the total amount of commodities, measured by this standard of measurement. Furthermore: The total value consists of the value of the capital advanced to production+the surplus value; that is of labour time contained in the capital advanced+the surplus labour time or unpaid labour time appropriated by the capital. Thus the surplus value contained in each individual part of the commodity is proportional to its value. In the same way as the £120 is distributed among 60, 65, 75 or 92$^{1}/_{2}$ tons, so the £20 surplus value is distributed among them. When the number of tons=60, and therefore the value of the

[a] See K. Marx, *A Contribution to the Critique of Political Economy* (present edition, Vol. 29, pp. 303-05).—*Ed.*

individual ton=$^{120}/_{60}$=£2 or 40s., then $^{1}/_{6}$ of this 40s. or £2=6 $^{2}/_{3}$s., is the share of the surplus value which falls to the individual ton; the proportion of surplus value in the ton which costs £2 is the same as in the 60 which cost £120. The [ratio of] surplus value to value remains the same in the price of the individual commodity as in the total value of the mass of commodities. In the above example, the total surplus value in each individual ton=$^{20}/_{60}$=$^{2}/_{6}$=$^{1}/_{3}$ of 20,=$^{1}/_{6}$ of 40 as above. Hence the surplus value of the single ton multiplied by 60 is equal to the total surplus value which the capital has produced. If the portion of value which falls to the individual product—the corresponding part of the total value—is smaller because of the larger number of products, i.e., because of the greater productivity of labour, then the portion of surplus value which falls to it, the corresponding part of the total surplus value which adheres to it, is also smaller. But this does not affect the ratio of the surplus value, of the newly created value, to the value advanced and merely reproduced. Although, as we have seen,[a] the productivity of labour does not affect the total value of the product, it may however increase the surplus value, if the product enters into the consumption of the worker; then the falling price of the individual commodities or, which is the same, of a given quantity of commodities, may reduce the *normal wage* or, which is the same, the *value of the labour capacity*. In so far as the greater productivity of labour creates relative surplus value, it increases not the total value of the product, but that part of this total value which represents surplus value, i.e., unpaid labour. Although, therefore, with greater productivity of labour, a smaller portion of value falls to the individual product—because the total mass of commodities which represents this value has grown—and thus the price of the individual product falls, that part of this price which represents *surplus value*, nevertheless, rises under the above-mentioned circumstances, and, therefore, the proportion of surplus value to reproduced value grows //actually here one should still refer to variable capital, for profit has not yet been mentioned//. But this is only the case because, as a result of the increased productivity of labour, the surplus value has grown within the *total value*. The same factor—the increased productivity of labour—which enables a larger mass of products to contain the same quantity of labour thus lowering the value of a given part of this mass or the *price* of the individual commodity, reduces the value of the labour

[a] See this volume, pp. 109-11.—*Ed.*

capacity, therefore increases the surplus or unpaid labour contained in the *value of the total product* and *hinc*[a] in the *price* of the individual commodity. Although thus the *price of the individual commodity* falls, although the *total quantity of labour contained in it*, and therefore its value, falls, the proportion of surplus value, which is a component part of this value, increases. In other words, the smaller total [XI-577] quantity of labour contained in the individual commodity comprises a *greater quantity of unpaid labour* than previously, when labour was less productive, when the price of the individual commodity was therefore higher, and the total quantity of labour contained in the individual commodity greater. Although in the present case 1 ton contains less labour and is therefore cheaper, it contains more surplus labour and therefore yields more surplus value.

Since in competition everything appears in a false form, upside down, the individual capitalist imagines 1. that he [has] reduced his profit on the individual commodity by reducing its price, but that he makes a greater profit *because of the increased* mass [of commodities] (here a further confusion is caused by the greater amount of profit which is derived from the increase in capital employed, even with a lower rate of profit); 2. that he fixes the price of the individual commodity and by multiplication determines the total value of the product whereas the original procedure is division and multiplication is only correct as a derivative method based on that division. The vulgar economist in fact does nothing but translate the QUEER NOTIONS of the capitalists who are caught up in competition into seemingly more theoretical language and seeks to build up a justification of these notions.

Now to return to our table.

The *total value* of the product or of the quantity of commodities created by a capital of 100=£120, however great or small—according to the varying degree of the productivity of labour—the quantity of commodities may be. The *cost price* of this total product, whatever its size,=£110 if, as has been assumed, the average profit=10%. The excess in *value* of the total product, whatever its size,=£10=$^1/_{12}$ of the total value or $^1/_{10}$ of the capital advanced. This £10, the excess of *value* over the *cost price* of the total product, constitutes the *rent*. It is evidently quite independent of the varying productivity of labour resulting from the different DEGREES of NATURAL FERTILITY of the mines, types of soil, in short, of the NATURAL ELEMENT IN WHICH THE CAPITAL OF 100 HAS BEEN EMPLOYED, FOR THOSE DIFFERENT DEGREES IN THE PRODUCTIVITY OF THE LABOUR EMPLOYED, ARISING FROM THE

[a] Hence.—*Ed.*

DIFFERENT DEGREES OF FERTILITY OF THE NATURAL AGENT, do not prevent the total product from having a value of £120, a cost price of £110, and therefore an excess of value over cost price of £10. All that the *competition between capitals* can bring about, is that the *cost price* of the commodities which a capitalist can produce with £100 in coal-mining, this particular sphere of production,=£110. But competition cannot compel the capitalist to sell the product at £110 which is worth £120—although such compulsion exists in other industries. Because the LANDLORD steps in and lays his hands on the £10. Hence I call this rent the *absolute rent*. Accordingly it always remains *the same* in the table, however the FERTILITY of the COAL-MINES and hence the productivity of labour may change. But, because of the different DEGREES of FERTILITY of the MINES and thus of the PRODUCTIVITY OF LABOUR, it is not always expressed in the *same number of tons*. For, according to the varying productivity of labour, the quantity of labour contained in £10 represents more or less use values, more or less tons. Whether with the variation in DEGREES OF FERTILITY, this *absolute rent* is always paid in full or only in part, will be seen in the further analysis of the table.

There is furthermore on the market coal produced in mines of different productivity. Starting with the lowest degree of productivity, I have called these, I, II, III, IV. Thus, for instance, the first class produces 60 tons with a capital of £100, the second class produces 65 tons etc. Capital of the same size—£100, of the same organic composition, within the same sphere of production—does not have the same productivity here, because the degree of productivity of labour varies according to the degree of productivity of the mine, type of soil, in short of the NATURAL AGENT. But competition establishes *one market value* for these products, which have varying *individual values*. This market value itself can *never* be *greater* than the individual value of the product of the *least fertile* class. If it were higher, then this would only show that the *market price* stood above the *market value*. But the market *value* must represent real *value*. As regards products of separate classes, it is quite possible, that their *value* is above or below the market value. If it is *above* the market value, the difference between the market value and their cost price is *smaller* than the difference between their individual value and their cost price. But as the absolute rent=the difference between their individual [XI-578] value and their cost price, the market value cannot, in this case, yield the *entire absolute rent* for these products. If the market value sank down to *their* cost price, it would yield *no rent* for them *at all*. They could pay no rent, since rent is only the difference between value and cost price, and for them, individually, this difference would have disappeared, because of the market value. In this case, the difference between their individual value and the market value is *negative*, that is, the market value differs from their individual value by a *negative amount*. The difference between market value and individual value in general I call *differential value*. Commodities belonging to the category described here have a minus sign in front of their differential value.

If, on the other hand, the *individual value* of the products of a class of mines (class of land) is *below* the market value, then the *market value* is above their individual value. The value or market value prevailing in their sphere of production thus yields an *excess above* their individual value. If, for example, the market value of a ton=£2, and the individual value of a ton is £1 12s., then its differential value is 8s. And since in the class in which the individual value of a ton=£1 12s. the capital of 100 produces 75 tons, the total differential value of these 75 tons=8s.×75=£30. This excess of the market value for the total product of this class *over* the individual value of its product, which is due to the relatively greater fertility of the soil or the mine, forms the *differential rent*, since the cost price for the capital remains the same as before. This differential rent is greater or smaller, according to the greater or smaller excess of the *market value* over the *individual value*. This excess in turn is greater or smaller, according to the *relatively greater or smaller fertility* of the class of mine or land to which this product belongs; compared with the less fertile class whose product determines the market value.

Finally, it should be noted that the *individual cost price* of the products is different in the different classes. For instance, for the class in which a capital of £100 yields 75 tons the cost price of the individual commodity=£1 $9^1/_3$s., since the total value=£120 and the [total] *cost price*=£110, and if the market value=the individual value in this class, i.e.,=£1 12s., then the 75 tons sold at £120 would yield a rent of £10, while £110 would represent their cost price.

But of course, the *individual cost price* of a single ton varies according to the number of tons in which the capital of 100 is represented, or according to the *individual value* of the individual products of the various classes. If, for example, the capital of 100 produces 60 tons, then the value per ton=£2 and its cost price=£1 $16^2/_3$s.; 55 tons would be equal to £110 or to the cost price of the total product. If, however, the capital of 100 produces 75 tons, then the value per ton=£1 12s., its cost price=£1 $9^1/_3$s.

and $68^3/_4$ tons of the total product would cost £110 or would replace the cost price. The individual *cost price*, i.e., the *cost price* of *the individual ton*, varies in the different classes in the same proportion as the *individual value*.

It now becomes evident from all the 5 tables, that *absolute rent* always=the excess of the [individual] value of the commodity over its own cost price. The *differential rent*, on the other hand, is equal to the excess of the market value over its individual value. The total rent, if there is a differential rent (apart from the absolute rent), is equal to the excess of the market value over the individual value+the excess of the individual value over the cost price, or=the excess of the market value over the individual cost price.

Because here the purpose is only to set forth the general law of rent as an illustration of my theory of value and cost prices—since I do not intend to give a detailed exposition of rent [XI-579] till dealing with landed property *ex professo*—I have removed all those factors which complicate the matter: namely the *influence of the location* of the mines or types of land; different DEGREE of productivity of different amounts of capital applied to *the same* mine or *the same* type of land; the interrelationship of rents yielded by different lines of production within the same sphere of production, for example, by different branches of agriculture; the interrelationship of rents yielded by different branches of production which are, however, interchangeable, such as, for instance, when land is withdrawn from agriculture in order to be used for building houses, etc. All this does not belong here.[153]

Now for a consideration of the tables. They show how the general law explains a great multiplicity of combinations, while Ricardo, because he had a false conception of the general law of rent, perceived only one side of differential rent and therefore wanted to reduce the great multiplicity of phenomena to ONE SINGLE CASE by means of forcible abstraction. The tables are not intended to show all the combinations but only those which are most important, particularly for our specific purpose.

Ad Table A.

In Table A, the market value of a ton of coal is determined by the individual value of a ton in class I, where the mine is least fertile, hence the productivity of labour is the lowest, hence the mass of products yielded by the capital investment of £100 is the smallest and, therefore, the price of the individual product (the price as determined by its value) is the highest.

It is assumed that the market absorbs 200 tons *ni plus, ni moins*.[a]

[a] Neither more nor less.—*Ed.*

The *market value* cannot be *above* the value of a ton in I, i.e., of that commodity which is produced under the least favourable conditions of production. II and III sell the ton above its *individual value* because their conditions of production are more favourable than those of other commodities produced within *the same* sphere (TRADE), this does not, therefore, offend against the law of value. On the other hand, the market value could only be above the value of a ton in I, if the product of I were sold *above* its value, *quite* regardless of market value. A difference between market value and [individual] value arises in general not because products are sold absolutely *above* their value, but only because the value of the individual product may be different from the value of the product of a whole sphere; in other words because the *labour time necessary* to supply the total product—in this case 200 tons—may differ from the labour time which produces some of the tons—in this case those from II and III—in short, because the *total product* supplied has been produced by labour of varying DEGREES OF PRODUCTIVITY. The difference between the market value and the individual value of a product can therefore only be due to the fact that the definite quantities of labour with which different parts of the total product are manufactured have different *DEGREES OF PRODUCTIVITY*. It can never be due to the value being determined *irrespective* of the quantity of labour altogether employed in this sphere. The market value could be above £2 per ton, only if I, on the whole, quite apart from its relation to II and III, were to sell its product *above* its value. In this case the *market price* would be above the *market value* because of the STATE OF THE MARKET, because OF DEMAND AND SUPPLY. But the market value which concerns us here—and which here is assumed to be equal to the market price—cannot rise *above itself*.

The market value here *equals* the value of I, which, moreover, supplies $^3/_{10}$ of the entire product on the market, since II and III only supply sufficient amounts to meet the total DEMAND, to satisfy the ADDITIONAL DEMAND over and above that which is supplied by I. II and III have no cause, therefore, to sell below £2 since the entire product can be sold at £2. They cannot [XI-580] sell *above* £2 because I sells at £2 per ton.

This law, that the market *value* cannot be *above* the individual *value* of that product which is produced under the *worst conditions of production* but provides a part of the necessary SUPPLY, Ricardo distorts into the assertion that the market value cannot fall *below* the value of that product and must therefore always be determined by it. We shall see later how wrong this is.

Because the market value of a ton coincides with the individual value of a ton in I, *the rent* it yields represents the absolute excess of the value over its cost price, the *absolute rent*=£10. II yields a differential rent of £10 and III of £30, because the market value, which is determined by I, yields an excess of £10 for II and of £30 for III, over their *individual value* and therefore over the absolute rent of £10, which represents the excess of the individual value over the cost price. Hence II yields a total rent of £20 and III of £40, because the market value yields an excess over their cost price of 20 and 40 RESPECTIVELY.

We shall assume that the transition is from I, the least fertile mine, to the more fertile II, and from this to the yet more fertile mine III. It is true that II and III are more fertile than I, but they satisfy only $^{7}/_{10}$ of the TOTAL DEMAND and, as we have just explained, can therefore sell their product at £2, although its value is only £1 $16^{12}/_{13}$s. and £1 12s. RESPECTIVELY. It is clear that when the particular quantity required to satisfy demand is supplied, and gradation takes place in the PRODUCTIVITY OF LABOUR which satisfies the various portions of this demand, whether the transition is in one direction or the other, in both cases the market value of the more fertile classes will rise *above their individual value*; in one case because they *find* that the market value is *determined* by the unfertile class and the ADDITIONAL SUPPLY provided by them is not great enough to occasion any change in the market value as determined by class I; in the other case, because the market value originally determined by them—determined by class III or II—is now determined by class I, which provides the ADDITIONAL SUPPLY required by the market and can only meet this at a higher value, which now determines the market value.

In the case under consideration, for example, Ricardo would say: We start out from class III. The ADDITIONAL SUPPLY will, in the first place, come from II. Finally, the last ADDITIONAL SUPPLY—demanded by the market—comes from I, and since I can provide the ADDITIONAL SUPPLY of 60 tons only at £120, that is at £2 per ton, and since this SUPPLY is needed, the market value of a ton which was originally £1 12s. and later £1 $16^{12}/_{13}$s., now rises to £2. But, on the other hand, it is equally true, that if we start out from I, which satisfied the demand for 60 tons at £2, then, however, the ADDITIONAL SUPPLY is provided by II, [the product of] II is sold at the market value of £2 although the INDIVIDUAL VALUE of it is only £1 $16^{12}/_{13}$s., for it is still only possible to supply the 125 tons required if I provides 60 tons at a value of £2 per ton. The same applies, if a new ADDITIONAL SUPPLY of 75 tons is required, but III provides *only*

75 tons, only SUPPLIES THE ADDITIONAL DEMAND, and therefore, as before, 60 tons have to be supplied by I at £2. Had I supplied the whole demand of 200 tons, they would have been sold at £400. And this is what they are [sold] at now, because II and III do not sell at the price at which they can satisfy the ADDITIONAL DEMAND for 140 tons, [XII-581] but at the price at which I, which only supplies $^3/_{10}$ of the product, could satisfy it. The entire product required, 200 tons, is in this case sold at £2 per ton, because $^3/_{10}$ of it can only be supplied at a value of £2 per ton, irrespective of whether the ADDITIONAL PORTIONS OF THE DEMAND were met by proceeding from III via II to I or from I via II to III.

Ricardo says: If III and II are the starting-points, their market value must rise to the value (cost price with him) of I, because the $^3/_{10}$ supplied by I are required to meet the DEMAND and the decisive point here is therefore the *required volume of the product* and not the individual value of particular portions of it. But it is equally true that the $^3/_{10}$ from I are just as essential as before when I is the starting-point and II and III *only* provide the ADDITIONAL SUPPLY. If, therefore, I determined the market value in the DESCENDING LINE, it determines it in the ASCENDING LINE *for the same reasons.* Table A thus shows us the incorrectness of the Ricardian concept that differential rent *depends* on the diminishing productivity of labour, on the movement from the more productive mine or land to the less productive. It is just as compatible with the *reverse* process and hence with the growing productivity of labour. Whether the one or the other takes place has nothing to do with the nature and existence of differential rent but is a *historical* question. In reality, the ASCENDING and DESCENDING LINES will cut across one another, the additional demand will sometimes be supplied by going over to more, sometimes to less fertile types of land, mine or NATURAL AGENT. [In this it is] ALWAYS SUPPOSED that *the* SUPPLY provided by the NATURAL AGENT of a new, different class—be it more fertile or less fertile—only equals the ADDITIONAL DEMAND and does not, therefore, bring about a change in the *relation between demand and supply.* Hence it can only bring about *a change in the market value* itself, if the supply can only be made available at higher cost not however if it can be made available at lower cost.

Table A thus reveals to us from the outset the falseness of this fundamental assumption of Ricardo's, which, as Anderson shows,[a] was not required, even on the basis of a wrong conception of absolute rent.

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[a] See this volume, pp. 371-76, 457-61.—*Ed.*

If production proceeds in a DESCENDING LINE, from III to II and from II to I WITH RECOURSE TO NATURAL AGENTS OF A GRADUALLY DECREASING FERTILITY—then III, in which a capital of 100 has been invested, will at first sell its commodities at their value, at *£120*. This, since it produces 75 tons, will amount to £1 12s. per ton. If an ADDITIONAL SUPPLY of 65 is then required, II, which invests a capital of 100, will similarly sell its product at a value of *120*. This amounts to £1 $16^{12}/_{13}$s. per ton. And if, finally, AN ADDITIONAL SUPPLY of 60 tons were required, which can only be provided by I, then it too will sell its product at its value of *£120* which amounts to £2 per ton. In this process III would yield a differential rent of £$18^{6}/_{13}$ as soon as II came on the market, whereas previously it only yielded the absolute rent of £10. II would yield a differential rent of £10 as soon as I came into play and differential rent of III would then rise to £30.

Descending from III to I, Ricardo discovers that I does not yield a rent, because in considering III he started out from the assumption that no absolute rent exists.

There is indeed a difference between the ASCENDING and DESCENDING LINE. If the passage is from I to III, so that II and III only provide the ADDITIONAL SUPPLY, then the market value remains equal to the individual value of I which is £2. And if, as the supposition is here, the average profit is 10%, then it can be assumed that the price of coal (price of wheat—a quarter of wheat etc. can always be substituted for a ton of coal) will have entered into its calculation, since coal enters into the consumption of the worker as a means of subsistence as well as figuring as a *matière instrumentale* of considerable importance in constant capital. It can therefore also be assumed that the rate of surplus value would have been higher and therefore the surplus value itself greater, hence also the *rate of profit* higher than 10%, if I [were] more productive or the value of the ton of coal had been *below* £2. This, however, would be the case if III was the starting-point. The [market] value of the ton of coal was then only £1 12[s]; when [XII-582] II entered, it rose to £1 $16^{12}/_{13}$s. and finally when I appeared, it rose to £2. It can thus be assumed that when only III was being worked—all other circumstances, length of surplus labour [time] and other conditions of production etc. being taken as CONSTANT and UNCHANGED—the rate of profit was higher (the *rate of surplus value* [was higher] because one element of the wage was cheaper; because of the higher rate of surplus value, the surplus value, and therefore also profit, was higher, in addition however—with the surplus value thus modified—the rate of profit was higher because an element of cost in the constant capital was lower). The [rate of profit] became lower with [the appearance of] II and finally SANK to 10%, as the LOWEST LEVEL, when I appeared. In this case therefore one would have to assume that (regardless of the data) for instance the rate of profit=12% when only III was being worked; that it SANK to 11% when II came into play and finally to 10% when I entered into it. In this CASE the absolute rent would have been £8 with III because the cost price would have been £112; it would have become £9 as soon as II came into play because now the cost price would have been £111 and it would finally have been raised to £10 because the cost price would have fallen to £110. Here then a CHANGE in the rate of *absolute rent* itself would have taken place and this in inverse ratio to the CHANGE in the *rate of profit*. The rate of rent would have progressively grown *because* the rate of profit had progressively fallen. The latter would, however, have fallen because of the decreasing productivity of labour in the mines, in agriculture, etc. and the corresponding increase in the price of the means of subsistence and *matières instrumentales*.

Here the *rate of rent* rose *because* the *rate of profit* fell. Now did it fall because there was a CHANGE in the organic composition of the capital? If the average composition of the capital was $80c+20v$, did this composition remain the same? It is assumed that the normal working day remains the same. Otherwise the influence of the increased price of the means of subsistence could be neutralised. We must differentiate between two factors here. Firstly, an increase may occur in the price of the means of subsistence, hence reduction in surplus labour and surplus value. Secondly, constant capital may become more expensive because, as in the case of coal, the *matière instrumentale*, or in the case of wheat, another element of constant capital, namely seeds, rises in value or also, [because] due to the increased price of wheat, the cost price of other RAW PRODUCE (raw MATERIAL) may rise. Finally, if the product was iron, copper, zinc, etc., the raw material of certain branches of industry and the raw material of machinery (including containers) of all branches of industry would rise.

On the one hand it is assumed that no CHANGE has taken place in the organic composition of capital; in other words that no CHANGE has taken place in the mode of production decreasing or increasing the amount of living labour employed in proportion to the amount of constant capital employed. *The same number of workers* as before is required (the LIMITS OF THE NORMAL WORKING DAY REMAINING THE SAME) in order to work up the same volume of raw material with the same amount of machinery, etc., or, where there is no raw material, to set into motion the same amount of machinery, tools, etc. Besides this first aspect of the organic composition of capital, however, a second aspect has to be considered, namely, the change in the *value* of the elements of capital although as use values they may be employed in the same portions as before. Here again we must distinguish:

First: The *change in value* affects both elements—variable and constant element—*equally*. This may *never* occur in practice. A rise in the price of certain agricultural products such as wheat, etc., raises the (necessary) wage and the raw material (for instance seeds). A rise in coal prices raises the necessary wage and the *matière instrumentale* of most industries. While in the first case the rise in wages occurs in all branches of industry, that in raw materials occurs only in some. With coal, the proportion in which it enters into wages is lower than that in which it enters into production. As regards GENERAL CAPITAL, the change in the value of coal and wheat is thus hardly likely to affect both elements of capital *equally*. But let us suppose this to be the case.

Let the value of the product of a capital $80c+20v=120$. *Considering* GENERAL CAPITAL, the *value* of the product and its *cost price* coincide, for the difference is equalised out for the GENERAL CAPITAL. The rise in value of an article such as coal which, according to the assumption, enters into both component parts of capital in *equal proportions*, brings about a rise in cost by $^1/_{10}$ for both elements. Thus $80c$ would now only buy as many commodities as could previously be bought with $70c$ and with $20v$ only as many workers could be paid as previously with [approximately] $18v$. Or, in order to continue production on the old scale, [approximately] $90c$ and $22v$ would now have to be laid out. The value of the product, as previously, is now 120, of which, however, the outlay=112 (90 constant capital and 22 variable). Thus the profit=8 and on 112 this works out at $^1/_{14}$, which is $7^1/_7\%$. Hence the value of the product from 100 capital advanced is now equal to $107^1/_7$.

What is the ratio in which c and v now enter into this new capital? Previously the ratio $v:c=20:80=1:4$; now it is as $22:90=11:45$. $^1/_4={}^{45}/_{180}$; $^{11}/_{45}={}^{44}/_{180}$. That means that variable capital has decreased by $^1/_{180}$ [XII-583] as against constant capital. In keeping with the assumption that the increase in price of coal, etc., has *proportionally the same* effect on both parts of the capital, we must put it as $88c+22v$. For the value of the product=120; from this has to be deducted an outlay of $88+22=110$. This leaves a profit of 10. 22:88=20:80. The *ratio* of *c* to *v* would have remained *the same* as in the old capital. As before, the ratio would be $v:c=1:4$. But 10 profit on $110={}^1/_{11}=9^1/_{11}$[%]. If production is to be continued on the same scale, 110 capital will have to be invested instead of 100, and the value of the product [would continue to be] 120.[154] The composition of a capital of 100 however would be $80c+20v$, the value of the product being $109^1/_{11}$.

[*Second*:] If, in the above case, the value $80c$ had remained constant and only *v* had varied, i.e., $22v$ instead of $20v$, then the previous ratio having been ${}^{20}/_{80}$ or ${}^{10}/_{40}$, it would now be ${}^{22}/_{80}$ or ${}^{11}/_{40}$. Now if this CHANGE had taken place, then [the capital would amount to] $80c+22v$ [and the] value of the product would be 120; therefore the outlay [would be] 102 and the profit 18, i.e., $17^{33}/_{51}\%$.

$22:18=21^{29}/_{51}:17^{33}/_{51}$. If $22v$ capital need to be laid out in wages, in order to set in motion a constant capital of 80 in value, then $21^{29}/_{51}$ are required in order to move a constant capital of $78^{22}/_{51}$ in value. According to this ratio, only $78^{22}/_{51}$ would be laid out in machinery and raw material from a capital of 100; $21^{29}/_{51}$ would have to go to wages, whereas previously 80 was spent on raw material, etc., and only 20 on wages. The value of the product now$=117^{33}/_{51}$. And the composition of the capital: $78^{22}/_{51}c+21^{29}/_{51}v$. But $21^{29}/_{51}+17^{33}/_{51}=39^{11}/_{51}$. Under the previous composition [of capital], the total labour put in was equal to 40; now it is $39^{11}/_{51}$ or less by ${}^{40}/_{51}$, not *because* the constant capital has altered in value, but *because* there is less constant capital to be worked on, hence a capital of 100 can set in motion a little less labour than before, although more dearly paid for.

If, therefore, a CHANGE in an element of cost, here a rise in price—a rise in value—only alters (the necessary) wage, then the following takes place: Firstly, the rate of surplus value falls; secondly, with a given capital, less constant capital, less raw material and machinery, can be employed. The absolute amount of this part of the capital decreases in proportion to the variable capital, and provided other conditions *remain the same*, this must always bring about a rise in the rate of profit (if the value of constant capital remains the same). The *volume* of the constant capital decreases although its *value* remains *the same*. But the *rate of surplus value* decreases and also the *surplus value* itself, because the falling rate is not accompanied by an increase in the number of workers employed. The rate of surplus value—of surplus labour—falls more than the ratio of variable to constant capital.

For *the same number of workers* as before, that is the same absolute quantity of labour, needs to be employed in order to set in motion *the same amount of constant capital.* Of this absolute quantity of labour more, however, is necessary labour and less of it is surplus labour. Thus the *same quantity of labour* must be paid for more dearly. Of *the same* capital—100 for instance—less can thus be laid out in constant capital, since more has to be laid out in variable capital to set in motion a smaller constant capital. The fall in the rate of surplus value is not connected with an increase in the absolute quantity of labour which a particular capital employs, or with the increase in the number of workers employed by it. The surplus value itself cannot therefore rise here, although the rate of surplus value falls.

Provided, therefore, that the organic composition of the capital remains the same in so far as its physical component parts regarded as use values are concerned; that is, if change in the composition of the capital is not due to a CHANGE in the *mode of production* within the sphere in which the capital is invested, but only to a rise in the *value of the labour capacity* and hence to a rise in the necessary wage, which is equal to a decrease in surplus labour or the rate of surplus value, which in this case can be neither partly nor wholly neutralised by an increase in the number of workers employed by a capital of given size—for instance 100—then the fall in the rate of profit is simply due to the fall in surplus value itself. If the mode of production and the ratio between the amounts of immediate and ACCUMULATED LABOUR used remain constant, this same cause then gives rise to the change in the organic composition of capital—a change which is only due to the fact that the *value* (*the proportional value*) *of the amounts employed* has changed. The same capital employs [XII-584] less immediate labour proportionately as it employs less constant capital, but it pays more for this smaller amount of labour. It can therefore only employ less constant capital because the smaller amount of labour which sets in motion this smaller amount of constant capital, absorbs a greater part of the total capital. In order to set in motion 78 of constant capital, it must lay out, for example, 22 in variable capital, while previously $20v$ sufficed to set in motion $80c$.

This therefore happens when an increase in the price of a product subjected to landed property, only affects wages. The converse would result from the product becoming cheaper.

But now let us take the case assumed above.[a] The increased

[a] See this volume, p. 492-93.—*Ed.*

price of the agricultural product is supposed to affect constant and variable capital *proportionately to the same degree.* According to the assumption, therefore, there is no CHANGE in the *organic composition of the capital.* Firstly, no *CHANGE in the mode of production.* The same absolute amount of IMMEDIATE LABOUR sets in motion the same amount of *ACCUMULATED LABOUR* as before. The ratio of the amounts remains the same. Secondly, no *CHANGE in the proportion of value* as between ACCUMULATED and IMMEDIATE LABOUR. If the value of one rises or falls, so does that of the other in the same *proportion* to its relative size, which thus remains unchanged. But previously [we had]: $80c+20v$; *value of the product=120.* Now $88c+22v$, value of the product=120. This yields 10 on 110 or $9^1/_{11}$% [profit]; for $80c+20v$ therefore the value of $109^1/_{11}$.

Previously we had:

Constant capital	Variable [capital]	Surplus value	Rate of profit	Rate of surplus value
80	20	20	20%	100%

Now we have:

Constant capital	Variable [capital]	Surplus value	Rate of profit	Rate of surplus value
80	20	$9^1/_{11}$	$9^1/_{11}$[%]	$45^5/_{11}$%

$80c$ represents less raw material, etc., here and $20v$ less absolute labour in the same proportion. The raw material, etc., has become dearer and [a capital of] 80 therefore buys a smaller quantity of raw material, etc.; thus, because the *mode of production* has remained *the same,* it requires less IMMEDIATE LABOUR. But the smaller quantity of IMMEDIATE LABOUR costs as much as the larger quantity of IMMEDIATE LABOUR did before, and it has become dearer exactly to the same extent as the raw material, etc., and has therefore decreased in the same proportion. If, therefore, the surplus value had remained the same, then the rate of profit would have sunk in the same proportion in which the raw material, etc., had become dearer and in which the ratio of the value of the variable to the constant capital had changed. The rate of surplus value however has not remained the same, but has changed in the same proportion as the value of the variable capital has grown.

Let us take an example.

The value of a pound of cotton has gone up from 1s. to 2s. Previously, £80 //we take machinery, etc., here as equal to nil//

could buy 1,600 lbs. Now £80 will only buy 800 lbs. Previously, in order to spin 1,600 lbs, £20 [were] required to pay the wages of, say, 20 workers. In order to spin the 800 lbs only 10 [workers are needed], since the mode of production has remained *the same*. The 10 had previously cost £10, now they cost £20, just as the 800 lbs would previously have cost £40, and now cost £80. Assume now that the profit was previously 20%. This would involve:

Constant capital	Variable capital	Rate of surplus value	Rate of profit	Surplus value	Product	Price per lb. of yarn
I £80=1,600 lbs cotton	[£]20=20 workers	100[%]	20[%]	[£]20	1,600 lbs yarn	1s. 6d.
II £80=800 lbs cotton	[£]20=10 workers	50[%]	10[%]	[£]10	800 lbs yarn	2s. 9d.

For if the surplus value created by 20 workers=20, then that created by 10=10; in order to produce it, however, £20 needs to be paid out, as before, whereas according to the earlier relationship, only 10 was paid. The value of the product, of the [XII-585] lb. of yarn, must in this case rise at any rate, because it contains more labour, ACCUMULATED LABOUR (in the cotton which enters into it) and IMMEDIATE LABOUR.

If only cotton had risen and wages had remained the same, then the 800 lbs of cotton would also have been spun by only 10 workers. But these 10 workers would only have cost £10. That is, the surplus value of 10 [would] as before have amounted to 100%. In order to spin 800 lbs of cotton, 10 workers [would be] needed with a capital outlay of 10. Thus total capital outlay would have been 90. Now according to the assumption there would always be 1 worker per 80 lbs of cotton. Hence on 800 lbs 10 [workers] and on 1,600 lbs 20. How many pounds therefore could the total capital of 100 spin now? £88 $^{8}/_{9}$ could be used to buy cotton and £11 $^{1}/_{9}$ could be laid out in wages.

The relative proportions would be:

Constant capital	Variable capital	Surplus value	Rate of surplus value	Rate of profit	Product	Price per lb. of yarn
III £88 $^{8}/_{9}$= 888 $^{8}/_{9}$ lbs	£11 $^{1}/_{9}$= 11 $^{1}/_{9}$ workers	£11 $^{1}/_{9}$	100%	11 $^{1}/_{9}$%	888 $^{8}/_{9}$ lb. yarn	1 lb.= 2s. 6d.

In this case, where no *change* in the *value* of *variable* capital takes place, the rate of surplus value therefore remains the same.

In I, variable capital is to constant capital as 20:80=1:4. In III, it is as $11^1/_9$:$88^8/_9$=1:8; it has thus fallen proportionally by one half, because the *value* of constant capital has doubled. The same number of workers spin up the same amount of cotton, but £100 now only employ $11^1/_9$ workers, while the remaining £$88^8/_9$ only buy $888^8/_9$ lbs of cotton instead of 1,600 lbs [as] in I. The *rate of surplus value* has remained the same. But owing to the CHANGE in the VALUE of the constant capital, the same number of workers can no longer be employed by a capital of 100; the ratio between variable and constant capital has changed. Consequently the amount of surplus value falls and with it the profit, since this surplus value is calculated on the same amount of capital outlay as before. In the first case, the variable capital was $^1/_4$ of the constant capital (20:80) and $^1/_5$ of the total capital (=20). Now it is only $^1/_8$ of the constant capital ($11^1/_9$:$88^8/_9$) and $^1/_9$ ($11^1/_9$) of 100, the total capital. But 100% on $^{100}/_5$ or 20 is 20 and 100% on $^{100}/_9$ or $11^1/_9$ is only $11^1/_9$. If the wage remains the same here, or the value of the variable capital remains the same, its absolute amount falls, because the *value of the constant capital* has risen. Therefore the PERCENTAGE of the variable capital falls and with it surplus value itself, its absolute amount, and hence the rate of profit.

If the *value of the variable capital remains the same* and *the mode of production remains the same*, and therefore the ratio between the amounts of labour, raw material and machinery employed remains the same, a *CHANGE IN THE VALUE of the constant capital* brings about the same VARIATION in the composition of capital as if the *value of constant capital* had remained the same, but a *greater amount* of [constant] capital of unchanged value (*thus* also a *greater capital value*) had been employed, in proportion to the capital laid out in labour. The consequence is necessarily a fall in profit. (The opposite takes place if the value of constant capital falls.)

Conversely, a *CHANGE in the VALUE of the variable capital*—in this case a rise—increases the proportion of *variable* to *constant capital* and therefore also the PERCENTAGE of variable capital, or its proportional share in the total capital. Nevertheless, *the rate of profit falls here*, instead of rising, for the *mode of production* has remained *the same*. The same amount of living labour as before is employed now, in order to convert the same amount of raw materials, machinery, etc., into products. Here, as in the above case, only a smaller total amount of IMMEDIATE and ACCUMULATED LABOUR can be set in motion with the same capital of [£] 100 [XII-586]; but the smaller amount of labour costs more. The necessary wage has risen. A larger share of this smaller amount of labour replaces necessary labour and therefore a smaller amount forms surplus labour. The rate of surplus value has fallen, while at the same time the number of workers or the total quantity of labour under the command of the same capital has diminished. The variable capital has increased in proportion to constant capital and hence also in proportion to total capital, although the *amount of labour* employed in proportion to the amount of constant capital has decreased. The surplus value consequently falls and with it the rate of profit. Previously the *rate of surplus value remained the same*, while the rate of profit fell, because the variable capital *fell* in proportion to the constant capital and hence in proportion to the total capital, or the surplus value fell because the number of workers decreased, its multiplier decreased, while *the rate remained the same*. This time the rate of profit falls because the variable capital *rises* in proportion to the constant capital, hence also to the total capital; this rise in variable capital is, however, accompanied by a fall in the amount of labour employed (of labour employed by *the same* capital), in other words, the surplus value falls, because its *decreasing rate* is bound up with the decreasing amount of labour employed. The *paid* labour has increased in proportion to the constant capital, but the total quantity of labour employed has decreased.

These variations in the value therefore always affect the surplus value itself, whose ABSOLUTE AMOUNT decreases in both cases because either one or both of its two factors fall. In one case it decreases because the number of workers decreases while the rate of surplus value remains the same, in the other, because both the rate decreases and the number of workers employed by a capital of 100 decreases.

Finally we come to CASE II, where the CHANGE in the VALUE of an agricultural product affects both parts of capital in the *same proportion*; this *CHANGE OF VALUE* is therefore not accompanied by a CHANGE IN THE ORGANIC COMPOSITION OF CAPITAL.

In this case (see p. 584)[a] the pound of yarn rises from 1s. 6d. to 2s. 9d., since it is the product of more labour time than before. It contains *just as much IMMEDIATE* (although more paid and less unpaid) LABOUR as before, but more ACCUMULATED labour. Due to the CHANGE IN THE VALUE OF COTTON from 1s. to 2s., 2s. instead of 1s. is incorporated in the value of the lb. of yarn.

[a] See this volume, p. 497.— *Ed.*

Example II on page 584 however is incorrect. We had:

I Constant capital	Variable capital	Surplus value	Rate of surplus value	Rate of profit	Product	Price per lb. of yarn
£80=1,600 lbs COTTON	£20=20 workers	£20	100[%]	20%	1,600 lbs yarn	ls. 6d.

The labour of 20 workers is represented by £40. Of this, half is unpaid labour here, hence [£]20 surplus value. According to this ratio, 10 workers will produce £20 and of this 10 [are] wages and 10 surplus value. If, therefore, the value of the labour capacity rose in the same proportion as that of the raw material, i.e., if it doubled, then it would be £20 for 10 workers as compared with £20 for 20 workers before. In this case, there would be no surplus labour left. For the value, in terms of money, which the 10 workers produce=£20, if that which the 20 produce=£40. This is impossible. If this were the case, the basis of capitalist production would have disappeared.

Since, however, the changes in value of constant and variable capital are supposed to be *the same* (proportionally), we must put this CASE differently. Therefore say the value of cotton rose by $^1/_3$; £80 now buy 1,200 lbs COTTON, whereas previously they bought 1,600. Previously £1=20 lbs [cotton] or 1 lb. [cotton]=£$^1/_{20}$=1s. Now £1=15 lbs or 1 lb.=£$^1/_{15}$=1$^1/_3$s. or 1s. 4d. Previously 1 worker cost £1, now £1$^1/_3$=£1 6$^2/_3$s. or £1 6s. 8d. and for 15 men [that] amounts to £20 (£15+£$^{15}/_3$). [XII-587] Since 20 men produce a value of £40, 15 men produce a value of [£]30. Of this value, [£]20 [are] now their wages and [£]10 surplus value or unpaid labour.

Thus we have:

IV Constant capital	Variable capital	Surplus value	Rate of surplus value	Rate of profit	Product	Price per lb. of yarn
£80=1,200 lbs cotton	£20= 15 men	£10	50%	10%	1,200 lbs yarn	1s. 10d.

This ls. 10d. [contains] cotton worth 1s. 4d. and labour worth 6d.

The product becomes dearer because the COTTON has become dearer by $^1/_3$. But the product is not dearer by $^1/_3$. Previously, in I, it was equal to 18d.; if, therefore, it had become dearer by $^1/_3$, it would now be 18d.+6d.=24d., but it is only equal to 22d. Previously 1,600 lbs yarn contained £40 labour, i.e., 1 lb., £$^1/_{40}$ or $^{20}/_{40}$s. or $^1/_2$s.=6d. labour. Now 1,200 lbs [yarn] contain £30 labour, 1 lb. therefore contains £$^1/_{40}$=$^1/_2$s. or 6d. labour. Although the labour has become dearer in the same ratio as the raw material, the quantity of IMMEDIATE labour contained in 1 lb. of yarn has remained *the same*, though more of this quantity is now paid and less unpaid labour. This CHANGE in the VALUE of WAGES does not, therefore, in any way affect the value of the lb. of yarn, of the product. Now as before, labour only accounts for 6d., while COTTON now accounts for 1s. 4d., instead of 1s., as previously. Thus, if the commodity is sold *at its value*, the CHANGE in the VALUE of WAGES cannot after all bring about a CHANGE in the price of the product. Previously, however, 3d. of the 6d. were wages and 3d. surplus value; now 4d. are wages and 2d. surplus value. In fact 3d. on wages per lb. of yarn comes to $3\times 1{,}600$d.=£20 for 1,600 lbs yarn. And 4d. per lb. amounts to $4\times 1{,}200$=£20 for 1,200 lbs. And 3d. on 15d. (1s. COTTON+3d. wages) in the first example comes to $^1/_5$ profit=20%. On the other hand, 2d. on 20d. (16d. COTTON and 4d. wages) comes to $^1/_{10}$ or 10%.

If, in the above example, the price of COTTON had remained the same [then we would have the following]: 1 man spins 80 lbs, since the mode of production has remained *the same* in all the examples, and the pound is again equal to ls.

Now the capital is made up as follows:

Constant capital	Variable capital	Surplus value	Rate of surplus value	Rate of profit	Product	Price per lb. of yarn
£73 $^1/_3$= 1,466 $^2/_3$ lbs COTTON	£26 $^2/_3$ (20 men)	£13 $^2/_6$	50%	13 $^2/_6$%	1,466 $^2/_3$ lbs	$^{16}/_{11}$s.

This calculation is wrong; for if a man spins 80[lbs], 20 [men] spin 1,600 and not 1,466 $^2/_3$, since it is assumed that the *mode of production* has remained *the same*. This FACT can in no way be altered by the difference in the remuneration of the man. The example must therefore be constructed differently.

Constant capital	Variable capital	Surplus value	Rate of surplus value	Rate of profit	Product	Price per lb. of yarn
II £75=1,500 lbs cotton	£25 (18 $^3/_4$ men)	£12 $^1/_2$	50%	12 $^1/_2$%	1,500 lbs yarn	1s. 6d.

Of this 6d., 4d. wages and 2d. profit. 2 on 16=$^1/_8$=12 $^1/_2$%. Finally, if the value of the variable capital remained the same as before (1 man received £1), whereas the value of the constant capital altered, so that 1 lb. COTTON cost 1s. 4d. or 16d., instead of 1s. then:

	Constant capital	Variable capital	Surplus value	Rate of surplus value	Rate of profit	Product	Price per lb. [of yarn]
III	£84 4/19= 1,263 3/19 lbs COTTON	£15 15/19 (=15 15/19 men)	15 15/19	100%	15 15/19 [%]	1,263 3/19 lbs [yarn]	ls. 10d.

[XII-588] The profit=3d. On 19d. this comes to exactly 15 15/19%.

Now let us put all 4 CASES together, beginning with I, where no CHANGE of value has as yet taken place.

	Constant capital	Variable capital	Surplus value	Rate of surplus value	Rate of profit	Product	Price per lb. of yarn	Profit
I	£80=1,600 lbs COTTON	£20=20 workers	£20	100%	20%	1,600 lbs yarn	1s. 6d.	=3d.
II	£75=1,500 lbs COTTON	£25=18 3/4 workers	£12 1/2	50%	12 1/2%	1,500 lbs yarn	1s. 6d.	=2d.
III	£84 4/19= 1,263 3/19 lbs [cotton]	£15 15/19= 15 15/19 workers	[£]15 15/19	100%	15 15/19%	1,263 3/19 lbs yarn	1s. 10d.	=3d.
IV	£80=1,200 lbs [cotton]	£20=15 men	£10	50%	10%	1,200 lbs yarn	1s. 10d.	=2d.

The price of the product has changed in III and IV, because the value of constant capital has changed. On the other hand, a CHANGE of VALUE in the variable capital does not bring about a change in price because the absolute quantity of IMMEDIATE LABOUR remains the same and is only differently apportioned between NECESSARY LABOUR and SURPLUS LABOUR.

Now what happens in CASE IV, where the CHANGE IN VALUE affects constant and variable capital in *equal proportions*, where both rise by 1/3?

If only wages had risen (II), then the profit would have fallen from 20% to 12 1/2%, i.e., by 7 1/2. If constant capital alone had risen (III), profit would have fallen from 20 to 15 15/19, i.e., by 4 4/19%. Since both rise to the same extent, profit falls from 20 to 10, i.e., by 10%. But why not by 7 1/2+4 4/19% or by 11 27/38, which is the *sum* of the differences of II and III? This 1 27/38 must be accounted for; in accordance with that, the profit should have fallen (IV) to 8 11/38, instead of to 10. The amount of profit is determined by the AMOUNT of SURPLUS VALUE and this is determined by the *number* of workers, when the rate of SURPLUS LABOUR is given. In I there are 20 workers and half their labour time is UNPAID. In II, only $^1/_3$ of the total labour is UNPAID, thus the rate of surplus value falls; moreover, $1\,^1/_4$ less workers are employed and therefore the *number* [of workers] or the total labour decreases. In III the rate of surplus value is again the same as in I, ONE-HALF OF THE WORKING DAY IS UNPAID, but as a result of the rise in VALUE of the constant capital, the number of workers falls from 20 to $15\,^{15}/_{19}$ or by $4\,^4/_{19}$. In IV (the rate of surplus value having fallen again to the level of that in II, namely, $^1/_3$ of the WORKING DAY), the number of workers decreases by 5, namely, from 20 to 15. Compared with I, the number of workers in IV decreases by 5, compared with II by $3\,^3/_4$ and compared with III by $^{15}/_{19}$; but compared with I it does not decrease by $3\,^3/_4+^{15}/_{19}$, i.e., by $4\,^{41}/_{76}$. Otherwise the number of workers employed in IV would$=10\,^{35}/_{76}$.

Hence it follows that *variations in the value* of commodities which enter into constant or variable capital—when the *mode of production*, or the *physical composition of capital*, *remains the same*, in other words, when the ratio of IMMEDIATE and ACCUMULATED LABOUR employed remains constant—do *not* bring about a CHANGE in the ORGANIC COMPOSITION OF THE CAPITAL if they affect variable and constant capital *in the same proportion*, as in IV (where for instance cotton becomes dearer to the same degree as the wheat which is consumed by the workers). The rate of profit falls here (while the value of constant and variable capital increases), firstly because the rate of surplus value falls due to the rise in wages, and secondly, because the *number* of workers decreases.

The change in value—if it affects only constant capital or only variable capital—acts like a CHANGE in the ORGANIC COMPOSITION of capital and changes the *relative value* of the component parts of capital, although the mode of production remains the same. When only the variable capital is affected, it rises in relation to the constant capital [XII-589] and to the total capital; and not only the rate of surplus value decreases, but also the number of workers employed. Consequently the amount of constant capital (whose value [remains] unchanged) employed is also smaller (II).

If the change in value only affects the constant capital, then the variable capital falls in proportion to the constant capital and to the total capital. Although the rate of surplus value remains the same, its AMOUNT decreases because the *number of* workers employed [falls] (III).

Finally, it would be possible for the change in value to affect both constant and variable capital, but in *uneven* proportions. This case only requires to be fitted into the above categories. Suppose, for instance, that constant and variable capital were affected in such a way that the value of the former rose by 10% and the latter by 5. Then in so far as they both rose by 5%, one by 5+5 and the other by 5, we would have CASE IV. But in so far as the constant capital changed by a further 5%, we would have CASE III.

In the above, we have only assumed a rise in value. With a fall we have the opposite effect. For example, to return from IV to I would be to consider a fall in value affecting both components *in equal proportions.* To assess the effect of a fall in only [one component part], II and III would have to be modified.

Returning to Table A it thus follows,[a] that the assumption, that the profit of 10% has come about through a decrease (in that the rate of profit, starting from III was higher, in II it was lower than in III, but still higher than 10) may be correct, namely, if the development actually proceeded along the DESCENDING LINE; but this assumption by no means necessarily follows from the gradation of rents, the mere existence of differential rents; on the contrary with the ASCENDING LINE, this [gradation of rents] presupposes that the rate of profit remains the same over a long period.

Table B. Here, as has already been explained above,[b] the competition from III and IV forces II to WITHDRAW half his capital. With a DESCENDING LINE, it would on the contrary appear that AN ADDITIONAL SUPPLY OF only $32\,^1/_2$ TONS is required, HENCE only a capital of [£] 50 has to be invested in II.

But the most interesting aspect of the table is this: Previously a capital of £300 was invested, now only £250, i.e., $^1/_6$ less. The amount of product has however remained the same—200 tons. The productivity of labour has thus risen and the value of the individual commodity fallen. The *total value* of the commodities has likewise fallen, from £400 to £$369\,^3/_{13}$. As compared with A, the market value per ton has fallen from £2 to £1 $16\,^{12}/_{13}$s., since the new market value is determined by the *individual value* of II instead of, as previously, by the higher one of I. Despite all these circumstances—decrease in the capital invested, decrease in the total value of the product with the same volume of production, fall in the market value, exploitation of more fertile classes—the rent in *B*, as compared with *A*, has risen absolutely, by £$24\,^3/_{13}$ ($94\,^3/_{13}$ as against 70). If we examine how far the individual classes participate in the increase in total rent, we find that in class II the absolute rent, in so far as its rate is concerned, has remained the

[a] See this volume, pp. 491-92.—*Ed.*
[b] Ibid., pp. 472-73.—*Ed.*

same for 5 on £50=10%; but its AMOUNT has fallen by half, from 10 to 5, because the capital investment in II B has fallen by half, from 100 to 50. *Class II* B, instead of effecting an increase in the RENTAL, effects a decrease by £5. Furthermore, the differential rent for *II B* has completely disappeared, because the market value is now equal to the individual value of II; this results in a second loss of £10. Altogether then the reduction in rent for class II=£15.

In III the amount of absolute rent is the same; but as a result of the fall in market value, its differential value has also fallen; HENCE also the DIFFERENTIAL RENT. It amounted to £30, now it amounts only to $18\,^{6}/_{13}$. This is a reduction by $11\,^{7}/_{13}$. The rent for *II and III* taken together has therefore fallen by $26\,^{7}/_{13}$. It remains to account for a rise, not of $24\,^{3}/_{13}$, as at first sight it would seem, but of $50\,^{10}/_{13}$. Furthermore, however, for B as compared with A, the absolute rent of *I A* has disappeared as class I itself has disappeared. This represents a further reduction by £10. Thus, summa summarum,[a] £$60\,^{10}/_{13}$ must be accounted for. But this is the RENTAL of the new class *IV B*. The rise in the RENTAL of B is therefore only to be explained by the rent from IV B. The absolute rent for *IV B*, like that of all other classes, =£10. The differential rent of [£] $50\,^{10}/_{13}$, however, is due to [XII-590] the fact that the differential value of IV=$10\,^{470}/_{481}$s. per ton, and this has to be multiplied by $92\,^{1}/_{2}$ for that is the number of tons. The fertility of II and III has remained the same. The least fertile class has been removed entirely and yet the RENTAL rises because, due to its relatively great fertility, the differential rent of IV alone is greater than the total differential rent of A had been previously. Differential rent does not depend on the absolute fertility of the classes that are cultivated for $^{1}/_{2}$ II, III, IV [B are] more fertile than I, II, III [A], and yet the differential rent for $^{1}/_{2}$ II, III, IV [B] is greater than it was for I, II, III [A] because the greatest portion of the product—$92\,^{1}/_{2}$ tons—is supplied by a class whose differential value is greater than that occurring in general in *I, II, III A*. When the differential value for a class is *given*, the ABSOLUTE AMOUNT of its differential rent naturally depends on the amount of its product. But this *amount* itself is already taken into account in the calculation and formation of the differential value. Because with £100, IV produces $92^{1}/_{2}$ tons, *ni plus ni moins*,[b] its differential value in B where the market value =£1 $16\,^{12}/_{13}$s. per ton, amounts to 10s. etc. per ton.

The whole RENTAL in A amounts to [£] 70 on [£] 300 capital,

[a] All in all.—*Ed.*
[b] No more and no less.—*Ed.*

which=$23\,^1/_3$%. On the other hand in B, leaving out of account the $^3/_{13}$, it is £94 on £250, which is $37\,^3/_5$%.

Table C. Here it is assumed that class IV having come into the picture and class II determining the market value, demand does not remain the same, as in *Table B*, but it increases with the falling price, so that the whole of the $92\,^1/_2$ tons which have been newly added by IV is absorbed by the market. At £2 per ton only 200 tons would be absorbed; at £1 $^{11}/_{13}$, the demand grows to $292\,^1/_2$. It is wrong to assume that the limits of the market are necessarily the same at £1 $^{11}/_{13}$ per ton as at £2 per ton. On the contrary, the market expands TO A CERTAIN EXTENT with the falling price—even in the case of a general means of subsistence, such as wheat.

This, *above all*, is the only point to which we want to draw attention in *Table C.*

Table D. Here it is assumed that the $292\,^1/_2$ tons are absorbed by the market only if the market value falls to £1 $^5/_6$, which is the *cost price* per ton for class I, which therefore bears no rent but only yields the normal profit of 10%. This is the case which Ricardo assumes to be the normal CASE and on which we should therefore dwell at somewhat greater length.

As in the preceding tables, the ASCENDING LINE is here presupposed *de prime abord*[a]; later we shall look at the same process in the DESCENDING LINE.

If II, III and IV only provided an ADDITIONAL SUPPLY of 140, that is, an ADDITIONAL SUPPLY which the market absorbs at £2 per ton, then I would continue to determine the market value.

But this is not the case. There is an OVERPLUS of $92\,^1/_2$ tons on the market, produced by class IV. If this were, in fact, surplus production, which exceeded the absolute requirements of the market, then I would be completely thrown out of the market and II would have to WITHDRAW half its capital as in B. II would then determine the market value as in B. But it is assumed that if the market value continues to decrease, the market can absorb the $92^1/_2$ tons. How does this occur? IV, III and $^1/_2$ II dominate the market absolutely. In other words if the market could only absorb 200 tons, they would throw out I.

But to begin with let us take the actual position. There are now $292\,^1/_2$ tons on the market whereas previously there were only 200. II would sell at its individual value, at £1 $^{11}/_{13}$, in order to make room for itself and to drive I, whose individual value=£2, out of the market. But since, even at this market value, there is no room

[a] At the outset.—*Ed.*

for the 292 $^{1}/_{2}$ tons, IV and III exert pressure on II, until the market price falls to £1 $^{5}/_{6}$, at which price the classes IV, III, II and I find room for their product on the market, which at *this* [XII-591] market price absorbs the *whole* product. Through this fall in price, supply and demand are balanced. As soon as the ADDITIONAL SUPPLY surpasses the capacity of the market, as determined by the old market value, each class naturally seeks to force the whole of its product *on to* the market to the exclusion of the product of the other classes. This can only be brought about through a fall in price, and moreover a fall to the level where the market can absorb *all* products. If this reduction in price is so great that the classes I, II, etc., have to sell *below* their production costs,[155] they naturally have to WITHDRAW [their capital from production]. If, however, the situation is such that the reduction does not have to be so great in order to bring the output into line with the state of the market, then the total capital can continue to work in this sphere of production at this new market value.

But it is further clear that in these circumstances it is not the worst land, I and II, but the best, III and IV, which determines the market value, and so also the rent on the *best sorts of land* determines those on the worse, as *Storch* correctly grasped in relation to this CASE.[116]

IV sells at the price at which it can force its entire product on to the market overcoming all resistance from the other classes. This price is £1$^{5}/_{6}$. If the price were higher, the limits of the market would contract and the process of mutual exclusion would begin anew.

That I determines the market value [is correct] only on the assumption that the ADDITIONAL SUPPLY from II, etc., is only the ADDITIONAL SUPPLY which the market can absorb at the market value of I. If it is greater, then I is quite passive and by the room it takes up, only compels II, III, IV to react until the price has contracted sufficiently for the market to be large enough for the whole product. Now it happens that at this market value, which is IN FACT determined by IV, IV itself pays a differential rent of £49 $^{7}/_{12}$ in addition to the absolute rent, III pays a differential rent of £17 $^{1}/_{2}$ in addition to the absolute rent, II, on the other hand, pays no differential rent and moreover, only pays a part of the absolute rent, £9 $^{1}/_{6}$, instead of £10, i.e., not the full amount of the absolute rent. Why? Although the new market value of £1 $^{5}/_{6}$ is above its cost price, it is *below* its individual value. If market value were *equal* to its individual value, it would pay the absolute rent of £10, which is equal to the difference between individual value and cost price. But since it is below that, it only pays a part of its absolute rent, £9 1/6 instead of £10; the actual rent it pays is equal to the difference between market value and cost price, but this difference is smaller than that between its individual value and its cost price.

//The *actual rent*=the difference between market value and cost price.//

The *absolute rent*=the difference between individual value and cost price.

The *differential rent*=the difference between market value and individual value.

The actual or *total rent*=the absolute rent+the differential rent, in other words, it is equal to the excess of the market value over the individual value+the excess of the individual value over the cost price or=the difference between market value and cost price.

If, therefore, the market value=the individual value, the differential rent=0 and the total rent=the difference between individual value and cost price.

If the market value is > than the individual value, the *differential rent*=the excess of the market value over the individual value; the total rent, however,=this differential rent+the absolute rent.

If the market value is < than the individual value, but greater than the cost price, the differential rent is a negative quantity, hence the total rent=the absolute rent+this negative differential rent, i.e., minus the excess of the individual value over the market value.

If the market value=the cost price, then on the whole rent=0.

In order to put this down in the form of equations, we shall call the absolute rent AR, the differential rent DR, the total rent TR, the market value MV, the individual value IV and the cost price CP. We then have the following equations:

[XII-592] 1. $AR=IV-CP=+y$

2. $DR=MV-IV=x$

3. $TR=AR+DR=MV-IV+IV-CP=y+x=MV-CP$

IF MV, > IV, then $MV-IV=+x$. HENCE: DR positive and $TR=y+x$.

And $MV-CP=y+x$. Or $MV-y-x=CP$ or $MV=y+x+CP$.

IF $MV<IV$, then $MV-IV=-x$. HENCE: DR negative and $TR=y-x$.

And $MV-CP=y-x$. Or $MV+x=IV$. Or $MV+x-y=CP$. Or $MV=y-x+CP$.

IF $MV=IV$, then $DR=0$, $x=0$, BECAUSE $MV-IV=0$.

HENCE $TR=AR+DR=AR+0=MV-IV+IV-CP=0+IV-CP=$ $=IV-CP=MV-CP=+y$.

IF $MV=CP$, [then] TR or $MV-CP=0$.

In the CIRCUMSTANCES assumed, I pays no rent. Why not? Because the absolute rent=the difference between the individual value and the cost price. The differential rent, however,=the difference between the market value and the individual value. But the market value here=the cost price of I. The individual value of I=£2 per ton, the market value=£1 $^5/_6$. The differential rent of I therefore=£1 $^5/_6$−£2, which=−£ $^1/_6$. The absolute rent of I, however,=£2−£1 $^5/_6$, in other words,=the difference between its individual value and its cost price=+£ $^1/_6$. Since, therefore, the actual rent of I=the absolute rent (£ $^1/_6$) and the differential rent (−£ $^1/_6$), it=+£ $^1/_6$−£ $^1/_6$=0. Thus category I pays neither differential rent nor absolute rent, but only the cost price. The value of its product=£2; [it is] sold at £1 $^5/_6$, that means $^1/_{12}$ *below* its value,=8 $^1/_3$% *below* its value. I cannot sell at a higher price, because the market is determined not by I but by IV, III, II in opposition to I. I can merely provide AN ADDITIONAL SUPPLY at the price of £1 $^5/_6$.

That I pays no rent, is due to the FACT that the market value=its cost price.

This FACT, however, is the result:

Firstly of the relatively low productivity of I. What it has to supply, is 60 ADDITIONAL TONS at £1 $^5/_6$. Suppose instead of supplying only 60 tons for £100, I supplied 64 tons for [£] 100, i.e., 1 ton less than class II. Then only £93 $^3/_4$ capital would have to be invested in I in order to supply 60 tons. The individual value of one ton in I would then be £1 $^7/_8$ or £1 17 $^1/_2$s.; its cost price: £1 14 $^3/_8$s. And since the market value=£1 $^5/_6$=£1 16 $^2/_3$s., the difference between cost price and market value=2 $^7/_{24}$s. And on 60 tons this would amount to [XII-593] a rent of £6 17 $^1/_2$s.

If therefore all the circumstances remained the same and I were more productive than it is by $^1/_{15}$ (since $^{60}/_{15}=4$), it would still pay a part of the absolute rent because there would be a difference between the market value and its cost price, although a smaller difference than between its individual value and its cost price. Here the worst land would therefore still bear a rent if it were more fertile than it is. If I were absolutely more fertile than it is, II, III, IV would be *relatively less fertile* compared with it. The difference between its and their individual values would be smaller. The fact that I bears *no rent* is therefore just as much due to the circumstance that it is not absolutely more fertile as to the fact that II, III, IV are not *relatively less fertile.*

Secondly, however: Given the productivity of I as 60 tons for £100. If II, III, IV, and especially IV, which enters the market as a new competitor, were less fertile, not only relatively as against I, but *absolutely*, then I could yield a rent, even though this would only consist of a fraction of the absolute rent. For since the market absorbs 292 $^1/_2$ tons at £1 $^5/_6$, it would absorb a smaller number of tons, for instance 280 tons at a market value higher than £1 $^5/_6$. Every market value, however, which is higher than £1 $^5/_6$, i.e., higher than the production costs of I, yields a rent for I,=to the market value minus the cost price of I.

It can thus equally well be said that I yields no rent because of the absolute productivity of IV, for as long as II and III were the only competitors on the market, it yielded a rent and would continue to do so even despite the advent of IV, despite the ADDITIONAL SUPPLY—although it would be a lower rent—if for a capital outlay of £100 IV produced 80 tons instead of 92 $^1/_2$ tons.

Thirdly: We have assumed that the absolute rent for a capital outlay of £100=£10,=10% on the capital, or $^1/_{11}$ on the cost price, and that therefore the value [of the product yielded by] a capital of £100 in agriculture=£120 of which £10 are profit.

It would be wrong to assume that if we [say]: £100 capital is laid out in agriculture and if one working day=£1, then 100 working days are laid out. In general, if a capital of £100=100 working days then, in whatever branch of production this capital may be laid out, [the value of the product created by this capital] is never [=to 100 working days]. Supposing that one gold sovereign equals one working day of 12 hours, and that this is the normal working day, then the first question is, what is the rate of exploitation of labour? That is, how many of these 12 hours does the worker work for himself, for the reproduction (of the equivalent) of his wage, and how many does he work for the capitalist *gratis*? [How great,] therefore, is the labour time which the capitalist *sells* without having *paid* for it and which is therefore the source of the surplus value and serves to augment the capital? If the rate [of exploitation]=50%, then the worker works 8 hours for himself and 4 gratis for the capitalist. The product=12 hours=£1 (since according to the assumption, 12 hours labour time are contained in one gold sovereign). Of these 12 hours=£1, 8 recoup the capitalist for the wage and 4 form his surplus value. Thus on a wage of 13$^1/_3$s., surplus value=6$^2/_3$s.; or on a capital outlay of £1, it is 10s. and on £100, £50.

Then the value of the commodity produced with the £100 capital would be £150. The profit of the capitalist in fact consists in the sale of the unpaid labour contained in the product. The normal profit is derived from this sale of that which has not been paid for.

[XII-594] But the second question is this: What is the *organic composition* of the capital? That part of the value of the capital which consists of machinery, etc., and raw material is *simply reproduced* in the product, it reappears remaining unaltered. This part of the capital the capitalist must pay for at its *value*. It thus enters into the product as a given *predetermined* value. Only the labour used by the capitalist is merely partly paid for by him, although it enters *wholly* into the value of the product [and] is wholly bought by him. Assuming the above to be the rate of exploitation of labour, the amount of surplus value for capital *of the same* size will, therefore, depend on its organic composition. If the capital a,$=80c+20v$, then the value of the product=110 and the profit=10 (although it contains 50% unpaid labour). If the capital b,$=40c+60v$, then the value of the product=130, and the profit=30 although it too contains only 50% unpaid labour. If the capital c$=60c+40v$, then the value of the product=120 and the profit=20% although, in this case too, it comprises 50% unpaid labour. Thus the 3 capitals=300 yield a total profit=10+30+20=60, and this makes an average of 20% for 100. This average profit is made by each of the capitals if it sells the commodity it produces at £120. The capital a: $80c+20v$, sells at £10 *above* its value; capital b: $40c+60v$, sells at £10 *below* its value; capital c: $60c+40v$ sells *at* its value. All the commodities taken together, are sold at their value: 120+120+120=£360. In fact the value of a+b+c=110+130+120=£360. But the prices of the individual categories are partly *above*, partly *below* and partly *at* their value so that each yields a profit of 20%. The values of the commodities, thus modified, are their *cost prices*, which competition constantly sets as centres of gravitation for market prices.

Now assume that the £100 laid out in agriculture is composed of $60c+40v$ (which, incidentally, is perhaps still too low for v), then the value=120. But this would be=to the *cost price* in the industry. Suppose therefore in the above case that the average price for a capital of [£] 100=£110. We now say that if the agricultural product is sold at its value, its value is £10 *above* its cost price. It then yields a rent of 10% and this we assume to be the *normal* thing in capitalist production, that in contrast to other products, the agricultural product is not sold at its *cost price*, but at its *value*, as a result of *landed property*. The composition of the total capital is $80c+20v$, if the average profit=10%. We assume that that of the agricultural capital=$60c+40v$, that is, in its composition wages—IMMEDIATE LABOUR—have a larger share than in the total capital invested in the other branches of industry. This indicates a *relatively lower* productivity of labour in this branch. It is true, that in some types of agriculture, for instance in stock-raising, the composition may be $90c+10v$, i.e., the ratio of $v:c$ may be smaller than in the total industrial capital. Rent is, however, not determined by this branch, but by agriculture proper, and, furthermore, by that part of it which produces the principal *means of subsistence*, such as wheat, etc. The rent in the other branches is not determined by the composition of [XII-595] the capital invested in these branches themselves, but by the composition of the capital which is used in the production of the principal means of subsistence. The mere existence of capitalist production presupposes that vegetable food, not animal food, is the largest element in the means of subsistence. The interrelationship of the rents in the various branches IS A SECONDARY QUESTION that does not interest us here and is left out of consideration.

In order, therefore, to make the absolute rent=10% it is assumed

that the general average composition
of the NON-AGRICULTURAL capital=$80c+20v$,
that of AGRICULTURAL capital=$60c+40v$.

The question now is whether it would make any difference to case D, where class I pays no rent, if the agricultural capital were differently constituted, for example $50c+50v$ or $70c+30v$? In the first case, the value of the product would=£125, in the second, £115. In the first case, the difference arising from THE DIFFERENT COMPOSITION OF THE NON-AGRICULTURAL CAPITAL would=£15, in the second it would=5. That is, the difference between the value of the agricultural product and cost price would in the first case be 50% higher than has been assumed above, and in the second 50% lower.

If the former were the case, if the value of £100=£125, then the value per ton for I=$2\,^{1}/_{12}$ in Table A. And this would be the market value for A, for class I determines the market value here. The cost price for *I A*, on the other hand, would be £$1\,^{5}/_{6}$, as before. Since, according to the assumption, the $292\,^{1}/_{2}$ tons are only saleable at £$1\,^{5}/_{6}$, this would therefore make no difference, just as it would make no difference if the agricultural capital=$70c+30v$ or the difference between the value of the

AGRICULTURAL PRODUCE and its cost price=only £5, only half the amount assumed. If the *cost price*, and therefore the average organic composition of the NON-AGRICULTURAL capital, were assumed to be constant at $80c+20v$, then it would make no difference to this CASE [I D] whether it were higher or lower, although it would make a considerable difference to Table A and it would make a difference of 50% in the ABSOLUTE RENT.

But let us now assume the opposite, that the composition of the AGRICULTURAL CAPITAL remains $60c+40v$, as before and that of the NON-AGRICULTURAL CAPITAL varies. Instead of being $80c+20v$, let it be either $70c+30v$ or $90c+10v$. In the first case the average profit=[£] 15 or 50% higher than in the SUPPOSED CASE; in the other, £5 or 50% lower. In the first case the absolute rent=£5. This would again make no difference to *I D*. In the second case the absolute rent=£15. This too would make no difference to the CASE *I D*. All this would therefore be of no consequence to *I D*, however important it may continue to be for tables A, B, C, and E, i.e., for the absolute determination of the absolute and differential rent, whenever the new class—be it in the ASCENDING OR THE DESCENDING LINE—only supplies the NECESSARY ADDITIONAL DEMAND at the old market value.

Now the following question arises:

Can this *CASE D* occur in practice? And even before this, we must ask: is it, as Ricardo assumes, the *normal* CASE? It can only be the normal CASE if the AGRICULTURAL CAPITAL=$80c+20v$, equal, that is, to the average composition of the NON-AGRICULTURAL CAPITAL, so that the *value* of the AGRICULTURAL PRODUCE=the *cost price* of the *NON-AGRICULTURAL PRODUCE*. For the time being this is statistically wrong. The assumption of this *relatively* lower productivity of agriculture is at any rate more appropriate than Ricardo's assumption of a *progressive* absolute decrease in its productivity.

[XII-596] In CHAPTER I "On Value"[a] Ricardo assumes that the average composition of capital prevails in gold and silver mines (although he only speaks of fixed and circulating capital here; but we shall "correct" this). According to this assumption, these mines could only yield a differential rent, never an absolute rent. The assumption itself, however, in turn rests on the other assumption, that the ADDITIONAL SUPPLY provided by the richer mines is always greater than the ADDITIONAL SUPPLY required at the old market value.

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[a] See D. Ricardo, *On the Principles of Political Economy...*, London, 1821, pp. 43-44.—*Ed.*

But it is absolutely incomprehensible why the opposite cannot equally well take place. The mere existence of differential rent already proves that an ADDITIONAL SUPPLY is possible, without altering the *given market value*. For IV or III or II would yield no differential rents if they did not sell at the market value of I, however this may have been determined, that is, if they did not sell at a market value which is determined *independently* of the absolute amount of their SUPPLY.

Or: *CASE D* would always have to be the normal one, if [the conditions] presupposed in it are always the normal ones; in other words, if I is always forced by the competition from IV, III and II, especially from IV, to sell its product *below* its value by the whole amount of the absolute rent, that is, at the *cost price*. The mere existence of differential rent in IV, III, II proves that they sell at a market value which is *above* their individual value. If Ricardo assumes that this cannot be the case with I, then it is only because he *presupposes* the impossibility of absolute rent, and the latter, because he presupposes the *identity of value and cost price*.

Let us take *case C* where the $292\,^1/_2$ tons find a sale at a market value of £1 $16\,^{12}/_{13}$s. And, like Ricardo, let us start out from IV. So long as only $92\,^1/_2$ tons are required, IV will sell at £1 $5\,^{35}/_{37}$s. per ton, i.e., it will sell commodities that have been produced with a capital of £100 at their value of £120, which yields the absolute rent of £10. Why should IV sell its commodity *below* its value, at its *cost price*? So long as it alone is there, III, II, I cannot compete with it. The mere *cost price* of III is *above* the value which yields IV a rent of £10, and even more so the cost price of II and I. Therefore III etc. could not compete, even if it sold these tons at the bare cost price.

Let us assume that there is only one class—the best or the worst type of land, IV or I or III or II, this makes no difference whatsoever to the theory—let us assume that an elemental quantity exists, *relatively*, that is, to the amount of the given capital and labour which is in general *disponible*[a] and can be absorbed in this branch of production, so that land forms no barriers and provides a relatively unlimited FIELD OF ACTION for the available amount of labour and capital. Let us assume, therefore, that there is no differential rent because there is no cultivation of land of *varying* NATURAL FERTILITY, hence there is no differential rent (or else only to a negligible extent). Furthermore, let us assume that there is *no landed property*; then clearly there is no absolute

[a] Available.—*Ed.*

rent and, therefore (as, according to our assumption, there is no differential rent), there is *no* rent at all. This is a tautology. For the existence of *absolute rent* not only presupposes landed property, but it is the *posited landed property*, i.e., landed property contingent on and modified by the action of capitalist production. This tautology in *no* way helps to settle the question, since we explain that absolute rent is formed as the result of the *resistance* offered by landed property in agriculture to the capitalist levelling out of the values of commodities to average prices. If we remove this action on the part of landed property—this resistance, the specific resistance which the competition between capitals comes up against in this FIELD OF ACTION—we naturally abolish the precondition on which the existence of rent is based. Incidentally, there is a contradiction in the assumption itself: on the one hand, developed capitalist production (as Mr. Wakefield sees very well in his colonial theory[156]), on the other hand, the non-existence of landed property. Where are the wage labourers to come from in this case?

A somewhat *analogous* development takes place in the colonies, even where, *legally*, landed property exists, in so far as the government gives [land] gratis as happened originally in the colonisation from England; and even where the [XII-597] government actually institutes landed property by selling the land, though at a negligible price, as in the UNITED STATES, at 1 DOLLAR OR SOMETHING OF THE SORT PER ACRE.

Two different aspects must be distinguished here.

Firstly: There are the colonies proper, such as in the United States, Australia, etc. Here the mass of the farming colonists, although they bring with them a larger or smaller amount of capital from the motherland, are not a *capitalist class*, nor do they carry on *capitalist* production. They are MORE OR LESS SELF-WORKING PEASANTS whose main object, in the first place, is to produce *their own livelihood*, their MEANS OF SUBSISTENCE. Their main product therefore does not become a *commodity* and is not intended for TRADE. They sell or exchange the excess of their products over their own consumption for imported manufactured commodities, etc. The other, smaller section of the colonists who settle near the sea, navigable rivers, etc., form trading towns. There is no question of capitalist production here either. Even if capitalist production gradually comes into being, so that the sale of his products and the profit he makes from this sale become decisive for the SELF-WORKING AND SELFOWNING FARMER; so long as, compared with capital and labour, land still exists in elemental abundance providing a practically UNLIMITED FIELD OF ACTION, the first type of colonisation will continue as well and production will therefore *never* be regulated according to the needs of the market—at a given market value. Everything the colonists of the first type produce *over and above* their immediate consumption, they will throw on the market and sell at any price that will bring in more than their wages. They are, and continue for a long time to be, competitors of the FARMERS who are already producing more or less capitalistically, and thus keep the market price of the agricultural product constantly *below* its value. The FARMER who therefore cultivates land of the worst kind, will be quite satisfied if he makes the average profit on the sale of his FARM, i.e., if he gets back the capital invested, this is not the case in very many instances. Here therefore we have two essential conditions competing with one another: [firstly,] capitalist production is not as yet dominant in agriculture; secondly, although landed property exists legally, in practice it only exists as yet sporadically, and strictly speaking there is only possession of land. Or although landed property exists in a legal sense, it is—in view of the *elemental* abundance of land relative to labour and capital—as yet unable to offer resistance to capital, to transform agriculture into a FIELD OF ACTION which, in contrast to NON-AGRICULTURAL INDUSTRY, offers specific resistance to the *investment of capital.*

In the second type of colonies—PLANTATIONS—where commercial speculations figure from the start and production is intended for the world market, the capitalist production exists, although only in a formal sense, since the slavery of Negroes precludes free wage labour, which is the basis of capitalist production. But the business in which slaves are used is conducted by *capitalists.* The mode of production which they introduce has not arisen out of slavery but is grafted on to it. In this case the same person is capitalist and landowner. And the *elemental* existence of the land confronting capital and labour does not offer any resistance to capital investment, hence none to the competition between capitals. Neither does a class of FARMERS as distinct from LANDLORDS develop here. So long as these conditions endure, nothing will stand in the way of cost price regulating market value.

All these preconditions have nothing to do with the preconditions in which an *absolute rent* exists: that is, on the one hand, developed capitalist production, and on the other, landed property, not only existing in the legal sense but actually offering resistance and defending the FIELD OF ACTION against capital, only making way for it under certain conditions.

In these circumstances an absolute rent will exist, even if only IV or III or II or I are cultivated. Capital can only win new ground in that solely existing class [of land] by paying rent, that is, by selling the agricultural product at its *value*. It is, moreover, only in these circumstances that there can first be talk of a comparison and a difference between the capital invested in agriculture (i.e., in a natural element as such, in primary production) and that invested in NON-AGRICULTURAL INDUSTRY.

But the next question is this:

If one starts out from I, then clearly II, III, IV, if they only provide the ADDITIONAL SUPPLY admissible at the old market value, will sell at the market value determined by I, and therefore, apart from the absolute rent, they will yield a differential rent in proportion to their relative fertility. On the other hand, if IV is the starting-point, then it appears that certain objections [XII-598] could be made.

For we saw that II draws the absolute rent if the product is sold at its value of £1 $^{11}/_{13}$ or at £1 16 $^{12}/_{13}$s.

In Table D the *cost price* of III, the next class (in the DESCENDING LINE), is higher than the *value* of IV, which yields a rent of £10. Thus there cannot be any question of competition or UNDERSELLING here—even if III sold at cost price. If IV, however, no longer satisfies the demand, if more than 92 $^{1}/_{2}$ tons are required, then its price will rise. In the above case, it would have to rise by 3 $^{43}/_{111}$s. per ton, before III could enter the field as a competitor, even at its *cost price*. The question is, will it enter into it in these circumstances? Let us put this CASE in another way. For the price of IV to rise to £1 12s., the individual value of III, the demand would not have to rise by 75 tons. This applies especially to the *dominant agricultural product*, where an insufficiency in supply will bring about a much greater rise in *price* than corresponds to the *arithmetical* deficiency in supply. But if IV had risen to £1 12s., then at this market value, which is equal to III's individual value, the latter would pay the absolute rent and IV a differential rent. If there is any ADDITIONAL DEMAND at all, III can sell at its individual value, since it would then dominate the market value and there would be no reason at all for the *landowner* to forgo the rent.

But say the market price of IV only rose to £1 9 $^{1}/_{3}$s., the *cost price* of III. Or in order to make the example even more striking: suppose the cost price of III is only £1 5s., i.e., only 1 $^{8}/_{37}$s. higher than the *cost price* of IV. It must be higher because its fertility is lower than that of IV. Can III be taken in hand now and thus compete with IV, which sells above III's cost price, namely, at £1

$5\,^{35}/_{37}$s.? Either there is an ADDITIONAL DEMAND or not. In the first case the market price of IV has risen above its value, above £1 $5\,^{35}/_{37}$s. And then, whatever the circumstances, III would sell *above* its cost price, even if not to the full amount of its absolute rent.

Or there is *no* ADDITIONAL DEMAND. Here in turn we have 2 possibilities. Competition from III could only enter into it if the FARMER of III were at the same time its *owner*, if to him as a capitalist landed property would not be an obstacle, would offer no resistance, because he has control of it, not as capitalist but as landowner. His competition would force IV to sell below its hitherto prevailing price of £1 $5\,^{35}/_{37}$s. and even below the price of £1 5s. And in this way III would be driven out of the field. And IV would be capable of driving III out every time. It would only have to reduce the price to the level of its own production costs, which are lower than those of III. But if the market expanded as a result of the *reduction in price* engendered by III, what then? Either the market expands to such an extent that IV can dispose of its $92\,^{1}/_{2}$ tons as before, despite the newly-added 75, or it does not expand to this degree, so that a part of the product of IV and III would be surplus. In this case IV, since it dominates the market, would continue to lower [the price] until the capital in III is reduced to the appropriate size, that is until only that amount of capital is invested in it as is just sufficient for the entire product of IV to be absorbed. But at £1 5s. the whole product would be saleable and since III sold a part of the product at this price, IV could not sell above that. This however would be the only possible CASE: temporary over-production not engendered by an ADDITIONAL DEMAND, but leading to an expansion of the market. And this can only be the CASE if capitalist and landowner are identical in III—i.e., if it is assumed once again that landed property does not exist as a power confronting capital, because the capitalist himself is landowner and sacrifices the landowner to the capitalist. But if landed property as such confronts capital in III, then there is no reason at all why the landowner should hand over his ACRES for cultivation without drawing a rent from them, why he should hand over his land before the price of IV has risen to a level which is at least *above* the cost price of III. If this rise is only [XII-599] small, then in any country under capitalist production, III will continue to be withheld from capital as a FIELD OF ACTION, unless there is no other form in which it can yield a rent. But it will never be put under cultivation before it yields a rent, before the price of IV is *above* the cost price of III, i.e., before IV yields a differential rent in addition to its old rent. With the further growth of demand, the price of III would rise to its value, since the *cost price* of II is *above* the individual value of III. II would be cultivated as soon as the price of III had risen above £1 13 $^{11}/_{13}$s., and so yielded some rent for II.

But it has been assumed in D that I yields *no* rent. But this only because I has been assumed to be already cultivated land which is being forced to sell *below* its value, at its *cost price* because of the CHANGE in market value brought about by the entry of IV. It will only continue to be thus exploited,

if the owner is himself the FARMER, and therefore in this *individual* CASE the landed property which confronted capital has *disappeared*,

or if the FARMER is a small capitalist prepared to accept less than 10% or a worker who only wants to make his wage or a little more and hands over his surplus labour=10 or 9 or < 10, to the landowner instead of the capitalist. Although in the two latter cases *fermage*[a] is paid, yet economically speaking, no rent, and we are concerned only with the latter. In the one case the FARMER is a mere LABOURER, in the other something between LABOURER and capitalist.

Nothing could be more absurd than the assertion that the landowner cannot *withdraw* his ACRES from the market just as easily as the capitalist can withdraw his capital from a branch of production. The best proof of this is the large amount of fertile land that is uncultivated in the most developed countries of Europe, such as England, the land which is taken out of agriculture and put to the building of railways or houses or is reserved for this purpose, or is transformed by the LANDLORD into rifle-ranges or hunting-grounds as in the highlands of Scotland, etc. The best proof of this is the vain struggle of the English workers to lay their hands on the WASTE LAND.

Nota bene: In all cases where the absolute rent, as in *II D*, falls below its normal amount, because, as here, the market value is below the individual value of the class or, as in *II B*, owing to competition from the better piece of land, a part of the capital MUST BE WITHDRAWN FROM THE WORSE one or where, as in *I D*, rent is completely absent, it is presupposed:

1. that where rent is entirely absent, the landowner and capitalist [are] *one and the same* person; here therefore the resistance of landed property against capital and the LIMITATION OF THE FIELD OF ACTION OF THE LATTER BY THE FORMER disappear but only in individual cases and as an exception. The presupposition of

[a] Rental.—*Ed.*

landed property is abolished as in the colonies, but only in separate cases;

2. that the competition of the better lands—or possibly the competition from the worse lands (in the DESCENDING LINE)—leads to over-production and forcibly expands the market, creates AN ADDITIONAL DEMAND by forcing prices down. This however is the very case which Ricardo does not foresee because he always argues on the assumption that the supply is only sufficient to satisfy the necessary ADDITIONAL DEMAND;

3. that II and I in B, C, D either do not pay the full amount of the absolute rent or pay no absolute rent at all, because they are forced by the competition from the better lands to sell their product *below* its value. Ricardo on the other hand presupposes that they sell their product at *its value* and that the *worst land* always determines the market value, whereas in case *I D*, which he regards as the normal case, just the opposite takes place. Furthermore his *raisonnement* is always based on the assumption of a DESCENDING LINE OF PRODUCTION.

If the average composition of the NON-AGRICULTURAL CAPITAL $=80c+20v$, and the rate of surplus value $=50\%$, and if the composition of the AGRICULTURAL capital $=90c+10v$, i.e., higher than that of INDUSTRIAL CAPITAL—which [XII-600] is historically incorrect for capitalist production—[then there is] no *absolute rent*; if it $=80c+20v$, which has not so far been the case, [there is] *no* absolute rent; if it is lower, for instance $60c+40v$, [there is an] *absolute rent*.

On the basis of the theory, the following possibilities can *arise*, according to the relationship of the different classes to the market—i.e., depending on the extent to which one or another class dominates the market:

A. The last class pays absolute rent. It determines the market value because all classes only *provide the NECESSARY SUPPLY at this market value*.

B. The last class determines the market value; it pays absolute rent, the full rate of rent, but not the full previous amount because competition from III and IV has forced it TO WITHDRAW PART OF THE CAPITAL FROM PRODUCTION.

C. The *excess* supply which classes I, II, III, IV provide *at the old market value*, forces the latter to fall; this however, being regulated by the higher classes, leads to the expansion of the market. I pays only a part of the ABSOLUTE RENT, II pays *only* the ABSOLUTE RENT.

D. The same domination of *market value* by the better classes or of the inferior classes by OVERSUPPLY destroys rent in I altogether and reduces it to below its ABSOLUTE AMOUNT in II; finally in

E. The better classes oust I from the market by bringing down the market value below the cost price. II now regulates the market value because *at this new market value* only the necessary SUPPLY [is] forthcoming from all 3 classes.

I would make the following further observation on the influence of the VARIATION OF VALUE UPON THE ORGANIC COMPOSITION OF CAPITAL: With capitals in *different branches of production*—with an otherwise equal physical composition—it is possible that the higher *value* of the machinery or of the material used, may bring about a difference. For instance, if the COTTON, SILK, LINEN and WOOL [industries] had exactly the same physical composition, the mere difference in the cost of the material used would create such a variation.

Now back to Ricardo.

It goes without saying that when dealing with the composition of the AGRICULTURAL CAPITAL the value or price of the land does not enter into this. The latter is nothing but the capitalised rent. Back to:

Ricardo, CHAPTER II "On Rent":

He begins by presenting the "colonial theory", already known from Smith,[a] and here it is sufficient to state briefly the logical sequence of ideas.

*"On the *first settling of a country*, in which there is an *abundance* of rich and fertile land, a *very small proportion of which is required* to *be cultivated for the support of the actual* population, or indeed *can be cultivated with the capital* which the population can command, there will be *no rent*; for no one would *pay* for the *use of land*, when there *was an abundant quantity not yet appropriated*, and, *therefore*,"* (because NOT *APPROPRIATED*, which Ricardo *entirely forgets* later on), *at the *disposal of whosoever might choose* to cultivate it"* (p. 55).

//Here the assumption therefore is: no landed property. Although this description of the process is *approximately* correct for the SETTLINGS OF MODERN PEOPLES, it is, firstly, inapplicable to developed capitalist production; and [secondly] equally false if put forward as the *historical* course of events in the OLD EUROPE.//

*"On the common principles of supply and demand, *no rent could be paid for such land*, for the reason stated why nothing is given for the use of air and water,

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[a] See this volume, pp. 449-50, 460.—*Ed.*

or for any other of the gifts of nature which exist in *boundless quantity*... no charge is made for the use of these [XII-601] natural aids, because they are inexhaustible, and at every man's disposal.... If all land had *the same* properties, if it were *unlimited in quantity*, and *uniform in quality*, no charge could be made for its use"* (because it could *not* be converted *into private property* at all), *"unless where it possessed *peculiar advantages of situation*"* (and, he should add, were AT THE DISPOSAL OF A PROPRIETOR). *"It is only, then, because land is *not unlimited in quantity* and uniform in quality, and because in the progress of population, land of an *inferior quality*, or less *advantageously situated*, is called into cultivation, that *rent is ever paid for the use of* it. When in the progress of society, land of the second degree of fertility is taken into cultivation, *rent immediately commences on that of the first quality*, and the amount of that *rent will depend on the difference in the quality of these two portions of land*"* (pp. 56-57).

We shall examine this point more closely. The logical sequence is this:

If land, rich and fertile land],exists IN elemental abundance in practically UNLIMITED quantity compared to the ACTUAL POPULATION and capital—and Ricardo *assumes* this on the *FIRST SETTLING OF A COUNTRY* (*Smith's* colonial theory)—and if, furthermore, an "ABUNDANT QUANTITY" of this land is "*NOT YET APPROPRIATED*" and *therefore*, because it is "*NOT YET APPROPRIATED*", is "*AT THE DISPOSAL OF WHOSOEVER MIGHT CHOOSE TO CULTIVATE IT*", in this case, naturally, nothing is paid for the USE OF LAND, NO RENT. If LAND were [available] "in UNLIMITED QUANTITY"—not only relatively to capital and population, but if it were *in fact* an UNLIMITED ELEMENT (UNLIMITED like AIR and WATER)—then indeed its appropriation by one person could not exclude its appropriation by another. No PRIVATE (also no "PUBLIC" or STATE) PROPERTY IN the soil could exist. In this case—if all LAND is OF *THE SAME* QUALITY—no rent could be paid for it at all. At most, [rent would be paid] to the POSSESSOR OF LAND which "POSSESSED PECULIAR ADVANTAGES OF SITUATION".

Thus, under the circumstances assumed by Ricardo—namely, that LAND is "*NOT APPROPRIATED*" and UNCULTIVATED LAND is "*therefore* AT THE DISPOSAL OF WHOSOEVER MIGHT CHOOSE TO CULTIVATE IT"—if rent is paid, then this is only possible BECAUSE "LAND IS NOT UNLIMITED IN QUANTITY AND UNIFORM IN QUALITY", in other words, because different types of land exist and land of the same type is "LIMITED". We say that, on Ricardo's assumption, only a differential rent can be paid. But instead of confining it to this, HE JUMPS AT ONCE TO THE CONCLUSION that—quite apart from his assumption of the *non-existence of landed property*—ABSOLUTE RENT IS NEVER PAID FOR THE USE OF LAND, only differential rent.

The whole point therefore is: If land confronts capital in *elemental* abundance, then capital operates in agriculture in *the same* way as in every other branch of industry. There is then no *landed property*, no rent. At most, where one piece of land is more fertile than another, there can be excess profits as in industry. In this case these will consolidate themselves as differential rent, because of their natural basis in the DIFFERENT DEGREES OF FERTILITY OF THE SOIL.

If, on the other hand, land is 1. LIMITED, 2. appropriated, and capital finds *landed property* as a precondition—and this is the case where capitalist production develops: where capital does not find this precondition, as it does in the old Europe, it creates it itself, as in the UNITED STATES—thus land is from the outset not an elementary FIELD OF ACTION for capital. HENCE [there is absolute] rent, in addition to differential rent. But in this case also the transitions from one type of land to another—be it ASCENDING: I, II, III, IV or DESCENDING IV, III, II, I—work out differently than they did under *Ricardo's assumption*. For the employment of capital meets with the resistance of landed property both in category I and in II, III, IV; and similarly, in the reverse process, when the transition is from IV to III, etc. In the transition from IV to III, etc., it is not sufficient for the price of IV to rise high enough to enable the capital to be employed in III with an average profit. The price must rise to such an extent that rent can be paid on III. If the transition is made from I to II, etc., then it is self-evident that the price which paid a rent for I, must not only pay this rent for II, but a differential rent besides. By postulating the *non-existence of landed property*, Ricardo has not, of course, eliminated the law that arises *with the existence* and *from the existence of landed property*.

Having just shown how, *on his assumption*, a differential rent can come into being, Ricardo continues:

*"When land of the third quality is taken into cultivation, rent immediately commences on the second, and it is regulated, as before, by the difference in their productive powers. At the same time, the rent of the first quality will rise, for that must always be above the rent of the second, by the difference between the produce which they yield with a given quantity of capital and labour. With every *step in the progress of population, which shall oblige a country to have recourse to land of a worse quality*"

(which, however, by no means implies *THAT EVERY STEP IN THE PROGRESS OF POPULATION WILL OBLIGE A COUNTRY* TO *HAVE RECOURSE* TO *LAND OF WORSE QUALITY*),

"to enable it to raise its supply [XII-602] of food, rent, on all the more fertile land, will rise" (p. 57).

This is ALL RIGHT.

Ricardo now passes on to [an] example. But, quite apart from other points to be noted later, this example presupposes the *DESCENDING LINE*. This, however, is mere *presupposition*. In order to smuggle it in, he says:

*"On the first settling of a country, in which there is *an abundance of rich and fertile* soil ... *not yet appropriated*"* (p. 55).

But the CASE would [be] the same, if, relatively to the colonists, THERE WAS AN ABUNDANCE OF POOR AND STERILE soil—NOT YET APPROPRIATED". The *non*-payment of *rents* does not depend on the RICHNESS or FERTILITY OF THE soil, but on the fact that it is UNLIMITED, UNAPPROPRIATED and UNIFORM in QUALITY, WHATEVER MIGHT BE *THAT* QUALITY IN RESPECT TO THE DEGREE OF ITS FERTILITY. Hence Ricardo himself goes on to formulate his *assumption* thus:

*"If *all land* had *the same* properties, if it were *unlimited in quantity*, and *uniform in quality*, no charge could be made for its use"* (p. 56).

He does not say and cannot say, IF IT "*WERE RICH AND FERTILE*", because this condition would have *absolutely nothing* to do with the law. If, INSTEAD OF being RICH AND FERTILE, the LAND were POOR AND STERILE, then each colonist would have to cultivate A GREATER PROPORTION OF THE WHOLE LAND, and thus, even where the LAND is UNAPPROPRIATED, they would, with the growth of population, more rapidly approach the point where the practical abundance of land, its actual unlimitedness IN PROPORTION TO POPULATION AND CAPITAL, would cease to exist.

It is of course quite certain that the colonists will not pick out the least fertile land, but will choose the most fertile, i.e., the land that will produce most, with the means of cultivation at their disposal. But this is not the sole limiting factor in their choice. The first deciding factor for them is the *situation*, the situation near the sea, large rivers, etc. The land in West America, etc., may be as fertile as any; but the SETTLERS of course established themselves in New England, Pennsylvania, North Carolina, Virginia, etc., in short, on the east coast of the Atlantic. If they selected the most fertile land, then they only selected the *most fertile land in this region*. This did not prevent them from cultivating *more fertile* land in the West, at a later stage, as soon as growth of population, formation of capital, development of means of communication, building of towns, made the *more fertile land* in this *more distant* region accessible to them. They do not look for the *most fertile region*, but for the *most favourably situated region*, and within this, of course—given *equal* conditions so far as the situation is concerned—they look for the *most fertile* land. But this certainly does not prove that they progress from the more fertile region to the less fertile region, only that within *the same* region—provided the situation is the same—the more fertile land is naturally cultivated before the unfertile.

Ricardo, however, having rightly *amended* "ABUNDANCE OF RICH AND FERTILE LAND" to read LAND OF THE "*SAME* PROPERTIES, UNLIMITED IN QUANTITY, UNIFORM IN QUALITY", comes to his example and from there JUMPS back into the first false assumption:

*"The most *fertile*, and *most favorably situated*, land will be *first* cultivated"* (p. 60).

He senses the weakness and spuriousness [in this] and therefore adds the *new* condition to the "MOST FERTILE LAND": "AND the MOST FAVOURABLY SITUATED", which was missing at the outset. "THE MOST FERTILE LAND *WITHIN* THE MOST FAVOURABLE SITUATION" is how it should obviously read, and surely this absurdity cannot be carried so far [as to say] that the region of the country that happens to be the MOST FAVOURABLY SITUATED for the NEWCOMERS, since it enables them to keep IN CONTACT with the mother country and THE OLD FOLKS AT HOME and the outside world, is "THE MOST FERTILE REGION" in the whole of the land, which the colonists have not yet explored and are as yet unable to explore.

The assumption of the DESCENDING LINE, the transition from the more fertile to the less fertile region, is thus surreptitiously brought in. All that can be said is this: In the region that is first cultivated, because it is the MOST FAVOURABLY SITUATED, *no rent* is paid until, *within* this region, there is a transition from the more fertile to the less fertile land. Now if, however, there is a transition to a second, *more fertile* region than the first, then, according to the assumption, this is *WORSE SITUATED*. Hence it is possible THAT THE GREATER FERTILITY OF THE SOIL IS MORE THAN COUNTERBALANCED BY THE GREATER DISADVANTAGE OF THE SITUATION, and in this case the land of region I will continue to pay rent. But the "SITUATION" is a circumstance which changes historically, according to the economic development, and *must* continually *improve* with the installation of means of communication, the building of new towns, etc., and the growth of the population. Hence it is clear that BY AND BY, the product produced in region II will be brought on to the market at a price which will lower the rent in region I again (for the same product), and that in time it will emerge as THE MORE FERTILE SOIL in the measure in which the DISADVANTAGE OF SITUATION disappears. [XII-603] It is therefore clear, that where Ricardo himself states the condition for the formation of differential rent correctly and in general form:

"...ALL LAND... OF THE *SAME PROPERTIES... UNLIMITED IN QUANTITY... UNIFORM IN QUALITY...*" [p. 56],

the circumstance of the transition from more fertile to less fertile land is *not* included,

that this is also historically incorrect for the SETTLEMENT in the UNITED STATES which, in common with Adam Smith, he has in mind; therefore Carey's objections,[a] which were justified on this point,

that he himself reverses the problem again, by his addendum on "SITUATION"...: "THE MOST FERTILE, AND *MOST FAVOURABLY SITUATED*, LAND WILL BE FIRST CULTIVATED",

that he *proves* his *arbitrary* presupposition by an *example* in which that which is to be proved, is *postulated*, namely, the transition from the best to increasingly worse land,

that, finally //it is true, already WITH AN EYE TO THE EXPLANATION OF THE TENDENCY OF THE GENERAL RATE OF PROFIT TO FALL// he presupposes this, because he could not otherwise account for *differential rent*, although the latter in no way depends on whether there is a transition from I to II, III, IV or from IV to III, II, I.

In the example, 3 sorts of land are postulated, Nos. 1, 2, 3, which, with an equal capital investment, yield 100, 90, 80 qrs of corn. No. 1 is the first to be cultivated

"in a new country, where there is an abundance of fertile land compared with the population, and where therefore it is only necessary to cultivate No. 1" (p. 57).

In this case the "WHOLE NET PRODUCE" belongs to the "CULTIVATOR" and "WILL BE THE PROFITS OF THE STOCK WHICH HE ADVANCES" (p. 57). That this "NET PRODUCE" is immediately regarded as PROFIT OF STOCK, although *no capitalist production* has been postulated in this case //we are not speaking of PLANTATIONS// is also unsatisfactory here. But it may be that the colonist, coming from "THE OLD COUNTRY", looks at it in this way himself. If the population grows only to such an extent that No. 2 has to be cultivated, then No. 1 bears a rent of 10 qrs. It is of course assumed here that No. 2 and No. 3 are "*UNAPPROPRIATED*" and that their QUANTITY has remained practically "UNLIMITED" IN PROPORTION TO POPULATION AND CAPITAL. Otherwise there *could* be a different turn to events. Under this assumption, therefore, No. 1 will bear a rent of 10 qrs:

*"For either there must *be two rates of profit on agricultural capital*, or ten quarters, or the value of ten quarters, *must be withdrawn* from the produce of No. 1, for some other purpose. Whether the *proprietor of the land*, or any other person, cultivated No. 1, these ten quarters would equally constitute rent; for the cultivator of No. 2 would get the same result with his capital, whether he cultivated No. 1, paying 10 qrs for rent, or continued to cultivate No. 2, paying no rent"* (p. 58).

IN FACT, THERE WOULD BE TWO RATES OF PROFIT IN AGRICULTURAL CAPITAL, that is, No. 1 supplied an *excess profit* of 10 quarters (which, in this CASE, *can* consolidate itself as rent). But 2 pages later, Ricardo

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[a] See H. Ch. Carey, *The Past, the Present, and the Future*, Philadelphia, 1848, pp. 128-29. Cf. also this volume, p. 579.—*Ed.*

himself says that not only two but many VERY DIFFERENT RATES OF PROFIT ON CAPITAL OF THE SAME DESCRIPTION within *the same sphere of production*, HENCE also on AGRICULTURAL CAPITAL, are not only possible but inevitable:

*"The most fertile, and most favorably situated, land will be first cultivated, and the exchangeable value of its produce will be adjusted in the same manner as the exchangeable value of all other commodities, by the total quantity of labour necessary in various forms, from first to last, to produce it, and bring it to market. When land of an inferior quality is taken into cultivation, the exchangeable value of raw produce will rise, because more labour is required to produce it.

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

Thus in each *particular* industry there are not only TWO, BUT *MANY RATES* OF PROFIT, THAT IS TO SAY, DEVIATIONS from THE GENERAL RATE OF PROFIT.

At this point it is not necessary to go into the further details of the example (pp. 58-59), which is concerned with the effect of employing different amounts of capital ON THE SAME LAND. Only these 2 propositions:

"Rent is always the difference between the produce obtained by the employment of two [XII-604] equal quantities of capital and labour" (p. 59).

In other words, there is only a differential rent (according to the assumption that there is *no landed property*). For:

*"there cannot be two rates of profit" (p. 59).

"It is true, that on the best land, the same produce would still be obtained with the same labour as before, but its value would be enhanced in consequence of the diminished returns obtained by those who employed fresh labour and stock on the less fertile land. Notwithstanding, then, that the advantages of fertile over inferior lands are in no case lost, but only *transferred* from the cultivator, or consumer, to the landlord, yet, since more labour is required on the inferior lands, and *since it is from such land* only *that we are enabled to furnish ourselves* with the *additional supply* of raw produce, the comparative value of that produce will continue *permanently* above its former level, and make it exchange for more hats, cloth, shoes, etc., in the production of which no such additional quantity of labour is required" (pp. 62, 63).

"The reason then, *why* raw *produce rises in comparative value*, is because more labour is employed in the production of the last portion obtained, and *not because a rent is paid to the landlord*. The *value of corn is regulated* by the quantity of labour bestowed on its production on that quality of land, or with that portion of capital, which pays no rent. *Corn is not high because a rent is paid, but a rent is paid because corn is high*; and it has been *justly* observed, that *no reduction would take place in the price of corn, although landlords should forego the whole of their rent*. Such a measure would only enable some farmers to live like gentlemen, but would not diminish the quantity of labour necessary to raise raw produce on the least productive land in cultivation" * (p. 63).

My earlier explanations render it unnecessary to expand here on the erroneousness of the proposition THAT "THE VALUE OF CORN IS REGULATED BY THE QUANTITY OF LABOUR BESTOWED ON ITS PRODUCTION ON THAT QUALITY OF LAND ... WHICH PAYS NO RENT". I have shown that whether the last type of land pays rent, [or] pays no rent, [whether it] pays the whole of the absolute rent, [only a] part of it, or it pays besides the absolute rent a differential rent (if the LINE is ASCENDING), partly depends on the DIRECTION OF THE LINE, WHETHER IT IS ASCENDING OR DESCENDING, and at all events, it depends on the relative COMPOSITION OF AGRICULTURAL CAPITAL AS COMPARED WITH THE COMPOSITION OF NON-AGRICULTURAL CAPITAL and, if as a result of the difference in this COMPOSITION absolute rent is presupposed, the above CASES depend on the state of the market. But the Ricardian case in particular can only occur under two circumstances (ALTHOUGH even then *fermage* CAN yet BE PAID, though NO RENT); either when LANDED PROPERTY DOES NOT EXIST, IN LAW OR IN FACT, or when the best land provides an ADDITIONAL SUPPLY which CAN only FIND ITS PLACE WITHIN THE MARKET if there is a fall in market value.

But there is more besides which is wrong or one-sided in the above PASSAGE. The COMPARATIVE VALUE—which here means nothing but market value—of RAW PRODUCE can RISE for reasons other than the above. [Firstly] if, up to now, it was sold below its value, perhaps below its cost price; this is always the case IN A CERTAIN STATE OF SOCIETY, where the production of RAW PRODUCE is as yet largely directed to the subsistence of the cultivator (also in the Middle Ages, when the product of the town secured a monopoly price); secondly, it can also happen when the raw produce—*in contrast* to the other commodities which are sold at their cost price—is not yet sold at its VALUE.

Finally, it is correct to say that it makes no difference to the price of CORN if the LANDLORD FORGOES the differential rent and the FARMER POCKETS IT. But this does not apply to absolute rent. It is wrong to say here that LANDED PROPERTY does *not* ENHANCE THE PRICE OF THE RAW PRODUCE. On the contrary the price goes up because the INTERVENTION of LANDED PROPERTY CAUSES THE RAW PRODUCE TO BE SOLD AT ITS *VALUE* WHICH EXCEEDS ITS *COST PRICE*. Supposing, as above, that the average NON-AGRICULTURAL CAPITAL$=80c+20v$, the surplus value$=50\%$, then the rate of profit$=10[\%]$ and the value of the PRODUCE$=110$. The AGRICULTURAL [XII-605] CAPITAL on the other hand$=60c+40v$, the value [of the produce]$=120$. The RAW PRODUCE is sold at this value. If landed property did not exist legally—or in practice, because of the RELATIVE ABUNDANCE OF LAND as in the colonies—then it would be sold at 115. For the total profit of the first and the second capital (i.e., on the 200)=30, hence average profit=15. The NON-AGRICULTURAL PRODUCE would be sold at 115 instead of 110; the AGRICULTURAL PRODUCE at 115 instead of 120. The RELATIVE VALUE of the AGRICULTURAL PRODUCE compared with the non-AGRICULTURAL PRODUCE would thus fall by $^1/_{12}$; the *average profit* for both capitals—or the total capital, AGRICULTURAL AS WELL AS INDUSTRIAL—would, however, rise by 50%, from 10 to 15.

*"The rise of rent is *always* the effect of the increasing wealth of the country, *and of the difficulty of providing food for its augmented population*"* (pp. 65-66).

The latter is wrong.

*"Wealth increases most rapidly in those countries where the disposable land is most fertile, where importation is least restricted, and where through agricultural improvements, productions can be multiplied without any increase in the proportional quantity of labour, and where *consequently the progress of rent is slow*"* (pp. 66-67).

The ABSOLUTE AMOUNT OF RENT can also grow when the *rate of rent* remains the same and only the capital invested in AGRICULTURE is growing with the GROWTH OF POPULATION; it can grow when no rent is paid on I and only a part of the absolute rent on II, but the differential rent has risen considerably as a result of their relative fertility, etc. (See the *table.*)[a]

*"If the high price of corn were the effect, and not the cause of rent, price would be proportionally influenced as rents were high or low, and *rent would be a component part of price.* But that corn which is produced by the greatest quantity of labour is the regulator of the price of corn; and rent does not and cannot enter in the least degree as a *component part of its price....* Raw material enters into the composition of most commodities, but the value of that raw material, as well as corn, is regulated by the *productiveness of the portion of capital last employed on the land, and paying no rent*; and *therefore* rent is not a *component part of the* price of commodities"* (p. 67).

There is much CONFUSION here, resulting from the jumbling up of NATURAL "*PRICE*" (for that is the price under discussion here) and VALUE. Ricardo has adopted this CONFUSION from Smith. In the case of the latter it is relatively correct, because, and in so far as, Smith departs from his own correct explanation of VALUE. Neither rent nor profit nor wages form *A COMPONENT PART OF THE VALUE* OF A COMMODITY. On the contrary, the *VALUE OF A COMMODITY BEING GIVEN*, THE DIFFERENT PARTS INTO WHICH THAT VALUE MAY BE *DIVIDED*, BELONG EITHER TO THE

[a] See the insertion between pages 479 and 480.—*Ed.*

CATEGORY OF ACCUMULATED LABOUR (CONSTANT CAPITAL) OR WAGES OR PROFIT OR RENT. On the other hand, when referring to the *NATURAL PRICE* or *cost price*, Smith can speak of its *COMPONENT PARTS* as given preconditions. But by confusing NATURAL PRICE with VALUE, he carries this over to the VALUE of the COMMODITY.

Apart from the fact that the raw material and machinery (in short the constant capital) enter into production with a *fixed* price, which to the capitalist in each particular sphere of production appears as determined from outside, there are two things the capitalist must do when calculating the price of his commodity: he has to add the *price of the wages*, and this also appears to him as given (WITHIN CERTAIN LIMITS). The *NATURAL PRICE* of the commodity is not the *market price* but the average market price over a long period, or the central point towards which the market price gravitates. In this context therefore the *price of wages* is on the whole determined by the VALUE of labour capacity. But the *rate of profit*—the NATURAL RATE OF PROFIT—is determined by the *value* of the aggregate of commodities created by the aggregate of capitals employed in NON-AGRICULTURAL INDUSTRY. For it is the excess of this value over the value of the constant capital contained in the commodity+the value of wages. The total surplus value which the total capital creates, forms the ABSOLUTE AMOUNT OF PROFIT. The ratio of this ABSOLUTE AMOUNT TO THE WHOLE CAPITAL ADVANCED DETERMINES THE GENERAL RATE OF PROFIT. Thus this GENERAL RATE OF PROFIT, too, appears—not only to the individual capitalist, but to the capital in each particular sphere of production—to be determined externally. The capitalist must add the GENERAL PROFIT, SAY OF 10% [XII-606] to the price of the ADVANCES IN RAW MATERIAL, ETC., contained in the product, and the NATURAL PRICE OF WAGES THUS—AS IT MUST APPEAR TO HIM—BY WAY OF ADDITION OF COMPONENT PARTS, OR BY COMPOSITION—TO FORM THE NATURAL PRICE OF A given COMMODITY. Whether the NATURAL PRICE is paid, or more, or less, depends on the level of the market price prevailing at the time. Only wages and profit enter into *cost price* as distinguished from *VALUE*; rent enters only in so far as it is already contained in the PRICE of the expended raw material, machinery, etc. That is, it does not enter as rent for the capitalist, to whom, in any case, the PRICE OF RAW PRODUCE, MACHINERY, in short of the constant capital, appears as a predetermined *total*.

Rent does not enter into *cost price* as a COMPONENT PART. If, in special CIRCUMSTANCES, the agricultural product is sold at its cost price, then *no rent exists*. *Economically* landed property does not then exist for capital, that is, when the product of the type of land that sells at the cost price, regulates the market value of the product of its sphere. (The position in I, Table D is different.[a])

Or (absolute) *rent exists.* In this case the agricultural product is sold *above* its *cost price.* It is sold at its *value,* which is above its *cost price.* Rent, however, enters into the *market value* of the product, or, rather, forms a part of the market value. But to the farmer rent appears as predetermined, in the same way as profit does to the industrialist. It is determined by the excess of the *value* of the agricultural product over its *cost price.* The farmer, however, calculates just like the capitalist: FIRST the outlay, secondly wages, thirdly the average profit, finally the rent, which likewise appears to him as fixed. This is *for him* the NATURAL PRICE OF WHEAT, for instance. Whether he obtains it, depends, in turn, on the prevailing STATE OF THE MARKET.

If the *distinction* between *cost price* and VALUE is properly maintained, then rent can *never* enter into cost price as a *CONSTITUENT PART,* and one can talk of CONSTITUENT PARTS only in relation to the cost price as distinguished from the VALUE of the COMMODITY. (Like excess profit, differential rent never enters into *COST PRICE,* because it is nothing but the EXCESS OF THE INDIVIDUAL COST PRICE OVER MARKET COST PRICE,[157] OR THE EXCESS OF THE INDIVIDUAL VALUE OVER MARKET VALUE.)

Accordingly, Ricardo is in substance right when, in opposition to Adam Smith, he declares that rent *never* enters into cost price. But again he is wrong in that he proves this, not by differentiating between COST PRICE and VALUE, but by identifying the two, as Adam Smith did, for neither rent nor profit, nor wages form *CONSTITUENT PARTS OF VALUE,* ALTHOUGH VALUE IS DISSOLVABLE INTO WAGES AND PROFITS AND RENT, and, furthermore, the 3 parts are of equal importance, *if* all 3 exist. Ricardo reasons thus: Rent forms NO CONSTITUENT PART OF THE NATURAL PRICE OF AGRICULTURAL PRODUCE, *because* the price of the product of the worst land, which is=to the *cost price* of this product, and to the *value of this product,* determines the market value of AGRICULTURAL PRODUCE. Thus rent forms no PART OF THE VALUE because it forms no PART OF THE *NATURAL PRICE* and this latter is=to *VALUE.* This however is wrong. The price of the product grown on the worst land=its *cost price,* either because this product is sold *below* its value—therefore not as Ricardo says, because it is sold *at its value*—or because the agricultural product belongs to that type, to that class, of commodities in which, *by way of exception,* VALUE and cost price are *identical.* This is the case when the surplus value which is made in a particular sphere of production on a given capital, of say 100,

[a] See this volume, pp. 507, 509.—*Ed.*

happens to coincide with the surplus value which on the average falls to *the same* relative portion of the total capital (say 100). This then is Ricardo's CONFUSION.

AS TO *Adam Smith*: in so far as he identifies COST PRICE with VALUE, he is justified, on the basis of this false assumption, in saying that RENT, as well as PROFIT and WAGES, form "CONSTITUENT PARTS OF THE NATURAL PRICE". On the contrary, it is rather inconsistent that later in his further exposition he asserts that RENT does not enter into the NATURAL PRICE in the same way as WAGES and PROFITS. He commits this inconsistency because observation and correct analysis compel him nevertheless to recognise that there is a difference in the determination of the NATURAL PRICE OF NON-AGRICULTURAL PRODUCE and the MARKET VALUE OF AGRICULTURAL PRODUCE. But more about this when discussing Smith's theory of rent.[a]

[XII-607] *"We have seen, that with every portion of additional capital which it becomes necessary to employ on the land with a less productive return, rent would rise."*

(But not EVERY PORTION OF ADDITIONAL CAPITAL YIELDS A LESS PRODUCTIVE RETURN.)

"It follows from the same principles, that any circumstances in the society which should make it unnecessary to employ the same amount of capital on the land, and which should therefore make the portion last employed more productive, would lower rent" (p. 68).

That is absolute rent, not necessarily differential rent. (See Table B.)[b]

Such circumstances might be the "REDUCTION IN THE CAPITAL OF A COUNTRY" followed by a REDUCTION in the population. But also a higher development of the PRODUCTIVE POWERS OF AGRICULTURAL LABOUR.

"The same effects may however be produced, when the wealth and population of a country are increased, if that increase is accompanied by such marked improvements in agriculture, as shall have the same effect of diminishing the necessity of cultivating the poorer lands, or of expending the same amount of capital on the cultivation of the more fertile portions" (pp. 68-69).

(Oddly enough, Ricardo forgets here: IMPROVEMENTS AS SHALL HAVE THE EFFECT OF IMPROVING THE QUALITY OF POORER LANDS AND CONVERTING THESE INTO RICHER ONES, an aspect stressed by Anderson.[c] Ricardo's proposition is entirely wrong:

"With the same population, and no more, there can be no demand for any additional quantity of corn" (p. 69).

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[a] See this volume, pp. 551-78.—*Ed.*
[b] Ibid., pp. 476-77.—*Ed.*
[c] Ibid., pp. 371-76.—*Ed.*

Quite apart from the fact that, WITH A FALL IN THE PRICE OF CORN, AN ADDITIONAL DEMAND FOR OTHER RAW PRODUCE, GREEN VEGETABLES, MEAT, ETC., WILL SPRING UP and that schnaps, etc., can be made from corn, Ricardo assumes here that the entire POPULATION CONSUMES AS MUCH CORN AS IT LIKES. THIS IS FALSE.

//* "Our enormous increase of consumption in 1848, 49, 50, shows that we were previously *underfed*, and that prices were forced up by the deficiency of supply." * (F. W. Newman, *Lectures on Political Economy*, London, 1851, p. 158.)

The same Newman says:

* "The Ricardo argument, that rent cannot enhance price,[a] turns on the assumption that the power of demanding rent can in no case of real life *diminish supply*. But why not? There are very considerable tracts which would immediately have been cultivated if no rent could have been demanded for them, but *which were artificially kept vacant*, either because landlords could let them advantageously as shooting ground, or prefer the romantic wilderness to a petty and nominal rent which alone they could get by allowing them to be cultivated." * (p. 159.)//

(Indeed, [it is] in any case wrong to say that if he * withdraws the land from the production of corn, he may not get a rent by converting it into pasture or building grounds or, as in some counties in the highlands of Scotland, into artificial woods for hunting purposes.*)

Ricardo distinguishes two kinds of IMPROVEMENTS IN AGRICULTURE. The *one* type

* "increases the *productive powers of the land*,... *such as* the *more skilful rotation of crops*, *or the better choice of manure*. These improvements absolutely enable us to obtain the same produce from a smaller quantity of land." * (p. 70).

In this CASE, according to Ricardo, the rent *must fall*.

* "If, for example, the successive portions of capital yielded 100, 90, 80, 70; whilst I employed these four portions, my rent would be 60, or the difference between

70 and 100=30		100
70 and 90=20	whilst the produce would be	90
70 and 80=10		80
		70
60		340

and while I employed these portions, the *rent would remain the same*, although the produce of each should have an *equal* augmentation." *

(If it had AN *UNEQUAL* AUGMENTATION, it would be possible for the rent to rise *despite the increased* fertility.)

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[a] Newman has here: "argument, which J. Stuart Mill adopts".—*Ed.*

*"If, instead of 100, 90, 80, 70, the produce should be increased to 125, 115, 105, 95, the rent would still be 60, or the difference between

[XII-608] 95 and 125=30		125
95 and 115=20	whilst the produce	115
95 and 105=10	would be increased	105
	to 440	95
60		440

"But with such an increase of produce, *without an increase of demand*, there could be no motive for employing so much capital on the land; one portion would be withdrawn, and consequently the last portion of capital would yield 105 instead of 95, and rent would fall to 30, or the difference between

105 and 125=20	whilst the produce will be still	125
105 and 115=10	adequate to the wants of the population, for it would be 345 qrs...	115
		105
30		345"*

(pp. 71-72).

Apart from DEMAND being able to rise *without a growth* in population when the price falls (Ricardo himself assumes that it has risen by 5 qrs), there is a constant going over to SOILS OF DECREASING FERTILITY, because the population grows every year, i.e., the part of the population that consumes corn, eats bread, and this part grows more rapidly than the population, because bread is the chief means of subsistence of the majority. It is thus not *necessary* to assume that the DEMAND does not grow with the PRODUCTIVITY OF CAPITAL, and that consequently the rent falls. And the rent can rise, if the DIFFERENCE IN THE DEGREE OF FERTILITY has been unevenly affected by the IMPROVEMENT.

Otherwise it is certain (Tables B and E[a]), that the increase in FERTILITY—while DEMAND remains constant—can not only throw the worst land out of the market but CAN even FORCE a part of the capital on better land (Table B) TO WITHDRAW FROM THE PRODUCTION OF CORN. In this case the *corn rent falls*, if the AUGMENTATION OF THE PRODUCE is *EQUAL* on the different types of land.

Now Ricardo passes on to the 2nd aspect of *AGRICULTURAL IMPROVEMENTS*.

*"But there are improvements which may lower the relative value of produce without lowering the *corn rent*, though they will lower the *money rent of land*. Such improvements do not increase the productive powers of the land; but they enable us to obtain its produce *with less labour*. They are rather directed to the *formation of*

[a] See this volume, pp. 477, 479.—*Ed.*

the capital applied to the land, than to the *cultivation of the land itself. Improvements in agricultural implements*, such as the plough and the thrashing machine, economy in the use of horses employed in husbandry, and a better knowledge of the veterinary art, are of this nature. *Less capital*, which *is the same thing as less labour*, will be employed on the land; but to *obtain the same produce, less land cannot be cultivated*. Whether improvements of this kind, however, affect *corn rent*, must depend on the question, whether the difference between the produce obtained by the employment of different portions of capital be increased, stationary, or diminished".*

//Ricardo should also have adhered to this when dealing with the NATURAL FERTILITY OF THE SOILS. Whether the transition to these reduces the differential rent, leaves it stationary, or increases it, depends on whether the difference in the produce of the capital employed on these DIFFERENT MORE FERTILE SOILS, BE INCREASED, STATIONARY, OR DIMINISHED.//

*"If four portions of capital, 50, 60, 70, 80, be employed on the land, giving each *the same results*, and any improvement in the formation of such capital should enable me to withdraw 5 from each, so that they should be 45, 55, 65 and 75, no alteration would take place in the corn rent; but if the improvements were such as to enable me to make the whole saving on that portion of capital, which is least productively employed, corn rent would immediately fall, because the difference between the capital most productive, and the capital [XII-609] least productive, would be diminished; and *it is this difference which constitutes rent*" * (pp. 73-74).

This is correct for *differential rent*, which alone exists for Ricardo.

On the other hand, Ricardo does not touch upon the real question at all. For the solution of this question it does not matter whether the value of the individual quarter falls or whether the same *quantity of land*, the quantity of the same types of land as previously, needs to be cultivated, but whether as a result of the *reduction in the price of constant capital*—which, according to the assumption, costs LESS LABOUR—the quantity of IMMEDIATE LABOUR EMPLOYED IN AGRICULTURE is *reduced*, *increased* or *unaltered*. In short, whether or not the capital undergoes an organic CHANGE.

Let us take our example from Table A (page 574, notebook XI)[a] and let us substitute QRS OF CORN for tons.

It is assumed here that the composition of the NON-AGRICULTURAL capital$=80c+20v$, that of the AGRICULTURAL capital$=60c+40v$, the rate of surplus value in both cases$=50\%$. HENCE THE RENT ON THE LATTER CAPITAL, OR THE EXCESS OF ITS VALUE OVER ITS COST-PRICE,$=$£10. Thus we have the following:

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[a] See the insertion between pages 479 and 480.—*Ed.*

	Capital £	Qrs of corn	Total value £	Market value per qr £	Individual value per qr
I	100	60	120	2	£2[=40s.]
II	100	65	130	2	£1 $^{11}/_{13}$=£1 16 $^{12}/_{13}$s.
III	100	75	150	2	£1 $^{9}/_{15}$=£1 12s.
Total	300	200	400		

	Differential value per qr	Cost price per qr	Absolute rent £	Differential rent £
I	0	£1 $^{5}/_{6}$=£1 16 $^{2}/_{3}$s.	10	0
II	£ $^{2}/_{13}$=3 $^{1}/_{13}$s.	£1 $^{9}/_{13}$=£1 13 $^{11}/_{13}$s.	10	10
III	£ $^{2}/_{5}$=8s.	£1 $^{7}/_{15}$=£1 9 $^{1}/_{3}$s.	10	30
			30	40

	Absolute rent in qrs	Differential rent in qrs	Rental £	Rental in qrs
I	5	0	10	5
II	5	5	20	10
III	5	15	40	20
	15	20	70	35

In order to examine the problem in its pure form, one must assume that the *magnitude of the capital employed in I, II, III* is in all 3 classes affected *equally* by the reduction in the price of *constant capital* (100). For the *uneven* effect only concerns differential rent, and has nothing to do with the matter in hand. Supposing, therefore, that as a result of *IMPROVEMENTS*, the same amount of capital, which previously cost £100, now only costs 90, it would thus be reduced by $^1/_{10}$, or 10%. The question is then how the IMPROVEMENTS affect the composition of AGRICULTURAL capital.

If the proportion of capital used as wages [to constant capital] remains the same, then, if $100=60c+40v$, $90=54c+36v$, and in this case the value of the 60 qrs on land I=£108. But if the *reduction in price* were such that the same constant capital which previously cost 60, now only cost 54, but that v (or the capital laid out in wages) now only cost 32 $^2/_5$ instead of 36 (had also fallen by $^1/_{10}$), then 86 $^2/_5$ would be laid out instead of 100. The composition of this capital would be $54c+32\,^2/_5v$. And reckoned on 100, the composition would be $62\,^1/_2c+37\,^1/_2v$. Under these circumstances, the value of the 60 qrs on I would=£102 $^3/_5$. Finally, let us assume that although the value of the constant capital decreases, the capital laid out in wages remains *the same* absolutely, it therefore grows in *proportion* to the constant capital; so that the capital of 90 which has been laid out=$50c+40v$, the composition of [a capital of] 100 would=$55\,^5/_9c+44\,^4/_9v$.

Now let us see what happens to corn and money rent in these 3 cases. In case B the proportion of c to v remains the same although the value of both decreases. In C the [XII-610] value of c decreases, but proportionately, that of v decreases even more. In D, only the value of c decreases, not that of v.

First let us reproduce the original table contained on the previous page.[a]

[XII-611] From the accompanying table it is evident that:

Originally in A the ratio is $60c+40v$; the capital invested in each class is [£] 100. The rent in money amounts to £70, in corn to 35 qrs.

In B the constant capital becomes cheaper so that only £90 [are] invested in each class, the variable capital however becomes cheaper in the same proportion, so that the *ratio* remains the same. Here the *money rent* falls, the corn rent remains the same; [the] *absolute rent* is also *the same*. Money rent decreases because the capital invested decreases. Corn rent remains the same, because less money [produces] more corn the ratio remaining the same.

In C cheaper constant capital; but [the value of] v decreases even more, so that the constant capital becomes relatively dearer. *Absolute rent* falls. Corn rent falls and money rent falls. Money rent, because capital in general has decreased significantly, and corn rent, because absolute rent has fallen while the differences [between the classes] have remained the same, therefore all of them [corn rents] fall equally.

In D, however, the case is completely the reverse. Only the constant capital falls; the variable capital remains the same. *This was Ricardo's assumption.* In this case, because of the fall in capital, the money rent falls, though the fall is quite insignificant, in absolute figures it is only $^1/_3$, but in proportion to the capital laid out, it rises considerably. The corn rent, on the other hand, grows absolutely. Why? Because the absolute rent has risen from 10 to $12^2/_9$%, because v has grown in proportion to c. Hence:

[a] See the insertion between pp. 536 and 537.—*Ed.*

Capital	Absolute rent %	Absolute rent £	Differential rent £	Absolute rent qrs	Differential rent qrs	Rental £	Rental qrs
A) $60c+40v$	10[%]	30	40	15	20	70	35
B) $54c+36v$ ($60c+40v$)	10[%]	27	36	15	20	63	35
C) $54c+32^2/_3v$ ($62^1/_2c+37^1/_2v$)	$8^3/_4$%	$22^{17}/_{25}$	£34 4s.	$13^{45}/_{171}$	20	$56^{22}/_{25}$	$33^{45}/_{171}$
D) $50c+40v$ ($55^5/_9c+44^4/_9v$)	$12^2/_9$%	33	$36^2/_3$	18	20	$69^2/_3$	38

Ricardo continues:

*"Whatever diminishes the *inequality in the produce* obtained from successive portions of capital employed on the same or on new land, tends to lower rent; and whatever *increases that inequality*, necessarily produces an opposite effect, and tends to raise it"* (p. 74).

The *inequality can be increased, while capital is withdrawn and while sterility decreases, or even while the less fertile land is thrown out of the market.*

(LANDLORD *and capitalist.* In a LEADER of 15th July, 1862, the *Morning Star* [examines] whose duty it is (voluntarily or compulsorily) to SUPPORT the DISTRESSED (as a result of the COTTON FAMINE and the CIVIL WAR IN AMERICA) WORKMEN IN THE COTTON MANUFACTURE DISTRICTS OF LANCASHIRE, etc. It says:

*"These people have a legal right to maintenance *out of the property they have mostly created by their industry*.... It is said that the men who have made fortunes by the cotton industry are those upon whom it is especially incumbent to come forward with a generous relief. No doubt it is so ... the mercantile and manufacturing sections have done so.... But are these the only class which has made money by the cotton manufacture? Assuredly not. The landed proprietors of Lancashire and North Cheshire have enormously participated in the wealth thus produced. And it is the peculiar advantage of these proprietors to have participated in the wealth without lending a hand or a thought to the industry that created it.... The mill-owner has given his capital, his skill, and his unwinking vigilance to the [XII-612] creation of this great industry, now staggering under so heavy a blow; the mill-hand has given his skill, his time, and his bodily labour; but what have the landed proprietors of Lancashire given? Nothing at all—literally nothing; and yet they have made from it more substantial gains than either of the other classes ... it is certain that the increase of the yearly income of these great landlords, attributable to this single cause, is something enormous, probably not less than threefold."*

The capitalist is the direct exploiter of the workers, NOT ONLY the direct APPROPRIATOR, BUT the direct CREATOR OF *SURPLUS LABOUR*. But since (for the industrial capitalist) this can only take place through and in the process of production, he is himself a functionary of this production, its DIRECTOR. The LANDLORD, on the other hand, has a claim—through landed property (to absolute rent) and because of the physical differences of the various types of land (differential rent)—which enables him to pocket a part of this SURPLUS LABOUR OR SURPLUS VALUE, to whose DIRECTION and CREATION he contributes nothing. Where there is a conflict, therefore, the capitalist regards him as a mere superfetation, a Sybarite excrescence, a parasite on capitalist production, the louse that sits upon him.)

CHAPTER III "On the Rent of Mines".

Here again:

*"this rent" (of mines) "as well as the rent of land, is the effect, and never the cause of the *high value* of their produce"* (p. 76).

So far as absolute rent is concerned, it is neither EFFECT nor CAUSE OF THE "HIGH VALUE", but the *effect of the excess of value over cost price. That this excess is paid for the produce of the mine, or the land, and thus absolute rent is formed, is the effect, not of that *excess*, because it exists for a whole class of trades, where it does not enter into the price of the produce of those particular trades, but is the effect of *landed property*.

In regard to *differential rent* it may be said, that it is the effect of "*high value*"; so far as by "high value" is understood the excess of the market value of the produce over its real or individual value, for the relatively more fertile classes of land or mine.

That Ricardo understands by the "exchangeable value" regulating the produce of the poorest land or mine, nothing but *cost price*, by cost price nothing but the advances+the ordinary profit, and that he falsely indentifies this cost price with real value, will also be seen from the following passage:

"The metal produced from the poorest mine that is worked, must al least have an exchangeable value, not only sufficient to procure all the clothes, food, and other necessaries consumed by those employed in working it, and bringing the produce to market, *but also to afford the common and ordinary profits* to him who advances the stock necessary to carry on the undertaking. The return for capital from the poorest mine, paying no rent, would regulate the rent of all the other more productive mines. *This mine is supposed to yield the usual profits of stock. All that the other mines* produce more than this, will necessarily be paid to the owners for rent"* (pp. 76-77).

Here, therefore, [he says] in plain language: RENT=*EXCESS OF THE PRICE (EXCHANGEABLE VALUE* is the same here) *OF THE AGRICULTURAL PRODUCE OVER ITS COST PRICE*, THAT IS OVER THE VALUE OF CAPITAL

ADVANCED+THE USUAL (AVERAGE) PROFITS OF STOCK. Hence, if the *value* of the AGRICULTURAL PRODUCE is higher than its COST PRICE, it can pay rent quite irrespectively of differences in land, THE POOREST LAND AND THE POOREST MINE can PAY THE SAME ABSOLUTE RENT AS THE RICHEST. If its *value* were no higher than its cost price, rent could only arise from the EXCESS OF THE MARKET VALUE OVER THE REAL VALUE OF THE PRODUCE DERIVED FROM RELATIVELY MORE FERTILE SOILS, ETC.

*"If *equal quantities of labour*, with *equal quantities of fixed capital*, could at all times obtain, from that mine which paid no rent, *equal quantities of gold... the quantity*" (of gold) "indeed would *enlarge with the demand*, but *its value would be invariable*"* (p. 79).

What applies to gold and mines, applies to corn and LAND. Hence if the same types of land continued to be exploited and continued to yield the same product for the same outlay in labour [XII-613], then the *value* of the pound of gold or the quarter of wheat would remain the same, although its quantity would increase with the *demand*. Thus *its rent* (the AMOUNT, not the RATE OF RENT) would also *grow* without any CHANGE in the PRICE OF PRODUCE. More capital would be employed, ALTHOUGH WITH CONSTANTLY UNIFORM PRODUCTIVITY. This is one of the major causes of the rise in the ABSOLUTE AMOUNT of RENT, QUITE APART FROM ANY RISE IN THE PRICE OF PRODUCE, AND, THEREFORE, WITHOUT ANY PROPORTIONAL CHANGE IN THE RENTS PAID BY PRODUCE OF DIFFERENT SOILS AND MINES.

CHAPTER XXIV "Doctrine of Adam Smith concerning the Rent of Land."

This chapter is of great importance for the difference between Ricardo and Adam Smith. We shall postpone a fuller discussion of this (in so far as it affects Adam Smith), to when we consider *ex professo* Adam Smith's doctrine after that of Ricardo.[a]

Ricardo begins by quoting a passage from Adam Smith showing that he correctly determined when the PRICE of the AGRICULTURAL PRODUCE yields a rent and when it does not. But on the other hand Smith thought that SOME PARTS OF THE PRODUCE OF LAND, such as FOOD, must always yield a rent.

In this context Ricardo says the following, which is significant for *him*:

*"I believe that as yet in every country, from the rudest to the most refined, there is land of such a quality that it cannot *yield a produce more than sufficiently valuable* to replace the stock employed upon it, together with the *profits ordinary and usual* in that country. In *America* we all know that this is the case, and yet no one maintains that the principles which regulate rent, are different in that country and in Europe"* (pp. 389-90).

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[a] See this volume, pp. 551-78.—*Ed.*

Indeed, these PRINCIPLES are substantially "DIFFERENT". Where *no landed property* exists—actual or legal—no absolute rent can exist. It is this rent, not differential rent, which is the adequate expression of landed property. To say that *the same* principles regulate rent, where landed property exists and where it does not exist, means that the *economic form of landed property* is independent of whether landed property exists or not.

Besides, what is the meaning of "THERE IS LAND OF SUCH A QUALITY THAT IT CANNOT YIELD A PRODUCE MORE THAN *SUFFICIENTLY VALUABLE* TO REPLACE THE STOCK ... WITH THE ORDINARY PROFITS"? If the same quantity of labour produces 4 qrs, the product is no more VALUABLE than if it produces two, although the VALUE of the individual quarter is in one case twice as great as in the other. Whether or not it yields a rent, is therefore in no way dependent on the magnitude of this "VALUE" of the PRODUCE as such. It can only yield a rent if its value is higher than its cost price, which is regulated by the cost price of all other products or, in other words, by the quota of unpaid labour which is, ON AN AVERAGE, appropriated by a capital of 100 in each TRADE. But whether its value is higher than its cost price is in no way dependent on its absolute size, but on the composition of the capital employed on it, compared with the AVERAGE COMPOSITION of the capital EMPLOYED IN NON-AGRICULTURAL INDUSTRY.

*"But if it were true that England had so far advanced in cultivation, that at this time there were no lands remaining which did not afford a rent, it would be equally true, that there formerly must have been such lands; and that whether there be or not, is of no importance to this question, for it is the same thing if there be any capital employed in Great Britain on land which yields only the return of stock with its ordinary profits, whether it be employed on old or on new land. If a farmer agrees for land on a lease of 7 or 14 years, he may propose to employ on it a capital of £10,000, knowing that at the existing price of grain and raw produce, he can replace that part of his stock which he is obliged to expend, pay his rent, and obtain the general rate of profit. He will not employ £11,000, unless the last £1,000 can be employed so productively as to afford him the usual profits of stock. In *his calculation, whether he shall employ it or not, he considers only whether the price of raw produce is sufficient to replace his expenses and profits, for he knows that he shall have no additional rent to pay.* Even at the expiration of his lease his rent will not be raised; for if his landlord should require rent, because this additional £1,000 was employed, he would withdraw it; since, by employing it, he gets, by the supposition, only the ordinary and usual profits which he may obtain by any other employment of stock; and, therefore, he *cannot afford to pay rent for it*, unless the *price of the raw produce should further rise*, or, *which is the same thing*, unless *the usual and general rate of profits should fall*"* (pp. 390-91).

Ricardo admits here that also the worst land *can* bear a rent. How does he explain this? To provide the ADDITIONAL SUPPLY WHICH HAS BECOME NECESSARY IN CONSEQUENCE OF AN ADDITIONAL DEMAND, a second amount of capital is employed on the worst land [XII-614]. This will only yield the COST PRICE if the price of grain is rising. Hence the first amount would now yield a SURPLUS— =RENT—over and above this COST PRICE. In FACT therefore *before* the second amount is invested the *first amount* of capital yields a rent *on the worst* land, because the market value is above the cost price. Thus the only question is whether, for this to happen, the market value has to be *above* the value of the worst product, or whether on the contrary its *value* is *above* its *cost price*, and the RISE IN PRICE merely enables it to be sold at *its value*.

Furthermore: Why must the *price* be so high that it=the cost price, ADVANCES+AVERAGE PROFIT? Because of the competition of capitals in the different TRADES and the TRANSFER of capital from one TRADE to another. That is, as a result of the action of capital upon capital. But by what action could capital compel landed property to allow the value of the product to fall to the cost price? WITHDRAWAL OF CAPITAL FROM AGRICULTURE cannot have this EFFECT, unless it is accompanied by a FALL OF THE DEMAND FOR AGRICULTURAL PRODUCE. It would achieve the reverse, and cause the market price of AGRICULTURAL PRODUCE to rise above its value. TRANSFER OF NEW CAPITAL to land can have as little effect. For it is precisely the competition of capitals amongst themselves which enables the LANDLORD to demand from the individual capitalist that he should be satisfied with "AN AVERAGE PROFIT" and pay over to him the OVERPLUS OF THE VALUE OVER THE PRICE AFFORDING THIS PROFIT.

But, it may be asked: If landed property gives the power to sell the product *above* its cost price, *at* its value, why does it not equally well give the power to sell the product *above* its value, at an arbitrary monopoly price? On a small island, where there is no foreign trade in corn, the corn, FOOD, like every other product, could unquestionably be sold at a monopoly price, that is, at a price only limited by the state of demand, i.e., of *demand backed by ability to pay*, and according to the price level of the product supplied the magnitude and extent of this effective demand can vary greatly.

Leaving out of account exceptions of this kind—which cannot occur in European countries; even in England a large part of the fertile land is *artificially* withdrawn from agriculture and from the market in general, in order to raise the value of the other part—landed property can only affect and paralyse the action of capitals, their competition, in so far as the competition of capitals modifies the determination of the *values of the commodities*. The conversion of values into cost prices is only the consequence and result of the development of capitalist production. Originally commodities are (on the average) sold at their values. Deviation from this is in agriculture prevented by landed property.

Ricardo says that when a FARMER takes LAND on a lease of 7 or 14 years, he calculates that with a capital investment of, say, £10,000, the *value of the corn* (average market value) permits him to replace his outlay+average profit+the contracted rent. In so far as he takes a "lease" of a piece of land, therefore, his *prius*[a] is the average market value, which is equivalent to the value of the product; profit and rent are only parts into which this value is *resolved*, but they do not constitute it. The *existing market price* is for the capitalist what the presupposed *value* of the product is for the theory and the inner relationships of production. Now to the conclusion which Ricardo draws from this. If the FARMER adds another £1,000, he only considers whether, at the *given market price*, it yields him the USUAL profit. Ricardo therefore seems to think that the *cost price* is the determining factor and that *profit* enters into this cost price as a regulating element, but *rent* does not.

Firstly, profit too does not enter into it as a CONSTITUTIVE ELEMENT. For, according to the assumption, the FARMER takes the *MARKET PRICE* as his *prius*, and weighs up whether, at this given market price, the £1,000 will yield him the usual profit. This profit is therefore not the CAUSE, but the EFFECT OF THAT PRICE. But—Ricardo continues his train of thought—the investment of the £1,000 itself is determined by the calculation of whether or not the price yields the [usual] profit. Thus the profit is the decisive factor for the investment of the £1,000 and for the price of production.[159]

Furthermore: If the capitalist found that the £1,000 did not yield the USUAL PROFIT, he would not invest it. The production of the ADDITIONAL FOOD would not take place. If it were necessary for the ADDITIONAL DEMAND, then the demand would have to raise the price, i.e., the market price, until it yielded the profit. Thus profit—in contradistinction to rent—enters as a CONSTITUTIVE ELEMENT, not because it creates the *value* of the product, but because the product [XII-615] itself would not be created if its price[b] did not rise high enough to pay the USUAL RATE OF PROFIT as well as the capital expended. In *this* case, however, it is not necessary for it to rise so high as to pay rent. HENCE, THERE EXISTS AN ESSENTIAL DIFFERENCE BETWEEN RENT AND PROFIT, and in a certain sense, it can be said that profit is A

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[a] First consideration, starting-point.—*Ed.*

[b] The manuscript has: "value".—*Ed.*

CONSTITUTIVE ELEMENT OF PRICE, whereas rent is not. (This thought is evidently also at the back of Adam Smith's mind[a]).

In this case, it is correct.

BUT WHY?

Because in *this* case landed property *cannot* confront capital as landed property, thus the very combination [of circumstances] under which rent, absolute rent, is formed, is *not* present—according to the assumption. The ADDITIONAL CORN produced with the second investment of £1,000, provided *the market value remains the same*, in other words when an ADDITIONAL demand arises only *on* the assumption that the *price* remains *the same*, must be sold *below* its value at the cost price. This ADDITIONAL PRODUCE of the £1,000 thus occurs under the same CIRCUMSTANCES as when new worse land is cultivated, which *does not* determine the market value, but can provide the ADDITIONAL SUPPLY only on the condition that it supplies it at the *previously* existing market value, i.e., at a price *determined independently of this new production*. Under these circumstances it depends entirely on the relative fertility of the ADDITIONAL SOIL whether it yields a rent precisely because it does *not* determine the market value. It is just the same with the ADDITIONAL £1,000 on the old land. And for this very reason, Ricardo concludes *conversely*, that the ADDITIONAL land or the ADDITIONAL amount of CAPITAL *determines the market value*[b] because, with a given, quite *independently determined market value*, the price of its product yields not rent, but only profit, and only covers the cost price but not the value of the product. This is a *contradictio in adjecto*.[c]

Nevertheless, the product is produced *in this case*, without yielding rent! CERTAINLY. Landed property as an independent opposing element does not exist *for the* FARMER, i.e., the capitalist, during the period in which the lease in fact makes him the landowner of the land which he has *rented*. Capital moves unimpeded in this element, and capital is satisfied with the cost price of the product. Even when the lease expires, the farmer will naturally make the amount of rent dependent on how far capital investment in the land will supply a product which can be sold at its *value* thus yielding a rent. Capital investment which, with the given *market value*, yields no excess over the cost price, no more enters into the calculation than would the payment of rent—or

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[a] See A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 1, Edinburgh, London, 1828, pp. 303-04.—*Ed.*

[b] See D. Ricardo, *On the Principles of Political Economy...*, London, 1821, p. 390 et seq.—*Ed.*

[c] Contradiction in terms.—*Ed.*

contractual undertaking to pay rent—on land whose relative fertility is so low that the market price is merely equal to the cost price.

In practice matters do not always work out in the Ricardian manner. If the farmer possesses some SPARE CAPITAL or acquires some during the first years of a LEASE of 14 years, he does not demand the *USUAL PROFIT*, unless he has borrowed ADDITIONAL CAPITAL. For what is he to do with the SPARE CAPITAL? Conclude a new lease for additional land? AGRICULTURAL PRODUCTION favours to a much higher degree more intensive capital investment, than a more extensive cultivation of land with a larger capital. Moreover, if no land could be leased in the IMMEDIATE VICINITY of the old land, 2 FARMS would split up the farmer's work of SUPERINTENDING them to a much greater extent than 6 factories would split up the work of one capitalist in manufacture. Or should he invest the money with the bank, for interest, in government bonds, railway shares, etc.? Then, from the outset, he forgoes AT LEAST a half or $^1/_3$ of the USUAL PROFIT. Hence if he can invest it as ADDITIONAL CAPITAL on the old farm, even below the AVERAGE [rate of] PROFIT, say at 10%, if his profit=12%, then, he will still be gaining 100%, if the rate of interest is 5%. It is, therefore, still a profitable speculation for him to invest the ADDITIONAL £1,000 [XII-616] in the old FARM.

Hence it is quite wrong for Ricardo to identify this investment of ADDITIONAL CAPITAL with the APPLICATION OF ADDITIONAL CAPITAL TO NEW SOILS.[a] In the first case, the product does not have to yield the USUAL PROFIT, even in capitalist production. It must only yield as much above the USUAL RATE OF INTEREST as will make WORTH WHILE THE TROUBLE AND RISK OF THE FARMER TO PREFER THE INDUSTRIAL EMPLOYMENT OF HIS SPARE CAPITAL TO ITS EMPLOYMENT AS "MONIED" CAPITAL.

But the following conclusion which Ricardo draws from this observation is, as has been shown, quite absurd.

*"If the comprehensive mind of A. Smith had been directed to this fact, he would not have maintained that rent forms *one of the component parts of the price of raw produce*; for price is everywhere *regulated* by the return of this last portion of capital, for which no rent whatever is paid"* (p. 391).

His illustration proves just the *reverse*: THAT THE APPLICATION TO LAND OF THIS LAST PORTION OF CAPITAL HAS BEEN REGULATED BY A *MARKET PRICE*, INDEPENDENT OF THAT APPLICATION, EXISTING BEFORE IT TOOK PLACE, AND, THEREFORE ALLOWING NO RENT, BUT ONLY PROFIT. That profit is the only regulator for capitalist production is quite true. And it is therefore true that no

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[a] See D. Ricardo, *On the Principles of Political Economy...*, London, 1821, p. 390 et seq.—*Ed.*

absolute rent would exist if production were regulated *solely* by capital. It arises precisely at the point where the conditions of production enable the landowner to set up barriers against the EXCLUSIVE REGULATION OF PRODUCTION BY CAPITAL.

Secondly, Ricardo reproaches Adam Smith (p. 391, et seq.) for developing the correct principles of rent with regard to COAL MINES; [he] even says:

*"The whole principle of rent is here admirably and perspicuously explained, but every word is as applicable to land as it is to mines; yet he affirms that 'it is otherwise in estates above ground'," * etc. (p. 392).

Adam Smith senses that, under CERTAIN CIRCUMSTANCES, the LANDLORD has the power to offer effective resistance to capital, to bring landed property into play, and thus to demand absolute rent, though, under different circumstances, he does not possess this power; that in particular however the production of FOOD establishes the law of rent, whereas IN OTHER APPLICATIONS OF CAPITAL TO LAND, the rent is determined by the agricultural rent.

*"The proportion,[a] both of their produce and of their rent, is in proportion" * (says Adam Smith) *"to their *absolute*, and no to their *relative* fertility" * (p. 392).

In his reply, Ricardo comes closest to the real principle of rent. He says:

*"But, suppose that *there were no land which did not afford a rent*; then, *the amount of rent on the worst land would be in proportion to the excess of the* value of the produce *above the expenditure of capital and the ordinary profits of stock*; the same principle would govern the rent of land of a somewhat better quality, or more favourably situated, and, therefore, the rent of this land would exceed the rent of that inferior to it, by the superior advantages which it possessed; the same might be said of that of the third quality, and so on to the very best. Is it not, then, as certain, that it is the *relative fertility of the land*, which determines the portion of the produce, which shall be paid for the rent of land, as it is that the *relative fertility of mines*, determines the portion of their produce, which shall be paid for the rent of mines?" * (pp. 392-93).

Here Ricardo formulates the correct principle of rent. If the worst land pays a rent, if therefore rent is paid independently of the different NATURAL FERTILITY OF THE SOILS—ABSOLUTE RENT—then this rent must=“THE EXCESS OF THE *VALUE* OF THE PRODUCE *ABOVE* THE EXPENDITURE OF CAPITAL AND THE ORDINARY PROFITS OF STOCK”, THAT IS TO SAY, it must=THE EXCESS OF THE *VALUE* OF THE PRODUCE *ABOVE* ITS COST PRICE. Ricardo presupposes that such an EXCESS cannot exist, because, in contradiction to his own principles, he wrongly accepts the Smithian doctrine [XII-617] that VALUE=COST PRICE OF THE PRODUCE.

As for the rest, he falls again into error.

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[a] Smith has "value".—*Ed.*

Differential rent would of course be determined by the "RELATIVE FERTILITY". Absolute rent would have nothing to do with the "NATURAL FERTILITY".

Smith however would indeed be right when he asserts that the *actual* rent paid by the worst land *may* depend on the ABSOLUTE FERTILITY of the other SOILS and the RELATIVE FERTILITY of the worst soil, or on the ABSOLUTE FERTILITY of the worst soil and the RELATIVE FERTILITY of the other soils.

For the ACTUAL AMOUNT OF RENT paid by the worst land depends not, as Ricardo thinks, on the EXCESS OF THE *VALUE* OF ITS OWN PRODUCE OVER ITS COST PRICE, but on the EXCESS OF THE *MARKET VALUE* OVER ITS COST PRICE. But these are very different things. If the MARKET PRICE were determined by the *product of the worst land*, then the MARKET VALUE would be=to ITS REAL VALUE, HENCE, THE EXCESS OF ITS MARKET VALUE OVER ITS COST PRICE would be=to THE EXCESS OF ITS OWN INDIVIDUAL value, ITS REAL VALUE, OVER ITS COST PRICE. But this is not the case if quite irrespective of this product the market price is determined by the other types of land. Ricardo assumes a DESCENDING LINE. He assumes that the worst land is cultivated *last* and is only cultivated (in the case postulated), when the ADDITIONAL DEMAND HAS NECESSITATED AN ADDITIONAL SUPPLY AT THE VALUE OF THE PRODUCE DERIVED FROM THE WORST AND LAST CULTIVATED SOIL. In this case the value of the worst land regulates the market value. In the ASCENDING LINE (even according to him) this will only occur when the ADDITIONAL SUPPLY of the better sorts of land only=the ADDITIONAL DEMAND at the old market value. If the ADDITIONAL SUPPLY is greater, Ricardo assumes that the old land must be thrown *out of cultivation*, but it only follows from this that it will yield a *lower rent* than before (or no rent at all). The same happens in the DESCENDING LINE. Whether, and to what extent, the worse land yields rent, if the ADDITIONAL SUPPLY can only be provided at the *old market value*, depends on how much this market value stands above or below the value of the product of the new, worse land. In both cases its rent is determined by the *absolute* fertility, not the relative fertility. It depends on the absolute fertility of the new land how far the MARKET VALUE of the PRODUCE of better lands stands *above* its own REAL, INDIVIDUAL VALUE.

Adam Smith makes a correct distinction here between LAND and MINES, because with the latter he presupposes that there is *never* a transition to worse sorts—always to *better* ones—and that [they] always provide more than the necessary ADDITIONAL SUPPLY. The rent of the worst land is then dependent on its ABSOLUTE FERTILITY.

*"After Adam Smith has declared that there are some mines *which can only be worked by the owners*, as they will afford only sufficient to defray the expense of

working, together with the ordinary profits of the capital employed, *we should expect that he would admit that it was these particular mines which regulated the price of the produce from* all *mines.* If the old mines are insufficient to supply the quantity of coal required, the *price of coal will rise,* and will continue rising till the owner of a new and inferior mine finds that he can obtain the usual profits of stock by working the mine.... It appears, then, that *it is always the least fertile mine which regulates the price of coal.* Adam Smith, however, is of a different opinion: he observes that 'the most fertile coal-mine, too, regulates the price of coals at all the other mines in its neighbourhood. Both the proprietor and the undertaker of the work find, the one that he can get a greater rent, the other, that he can get a greater profit, by somewhat underselling all their neighbours. Their neighbours are soon obliged to sell *at the same price,* though they cannot so well afford it, and though it always diminishes, and sometimes takes away altogether, both their rent and their profit. Some works are abandoned altogether; others can afford no rent, *and can be wrought only by the proprietor*'. If the demand for coal should be [XII-617a][160] diminished, or if by new processes the quantity should be increased, the *price would fall,* and some mines would be *abandoned*; but in *every case,* the *price must be sufficient* to *pay the expenses and profit of that mine which is worked without being charged with rent.* It is, *therefore,* the least fertile mine which regulates price. Indeed, it is so stated in another place by Adam Smith himself, for he says:

'*The lowest price* at which coals can be *sold* for any considerable time, is like that of all other commodities, the price which is barely sufficient to replace, together with its ordinary profits, the stock which must be employed in bringing them to market. At a *coal-mine for which the landlord can get no rent,* but which he must either work himself, or let it alone all together, *the price of coals must generally be nearly about this price*'"* (pp. 393-95).

Adam Smith is mistaken when he declares the particular COMBINATION of the market, under which the most fertile mine (or land) dominates the market, to be the *rule.* But provided such a case is assumed his reasoning is correct (on the whole) and Ricardo's wrong. Adam Smith presupposes that as a result of the STATE OF DEMAND and because of its RELATIVE SUPERIOR FERTILITY, the best mine can only force the whole of its product on to the market if it undersells its competitors, if its product is *below* the old market value. This causes the price to fall for the worse mines too. The market price falls. This in any case *lowers the rent* on worse mines and can even make it disappear completely. For the rent is equal to the EXCESS OF MARKET VALUE OVER COST PRICE OF THE PRODUCE, WHETHER THAT MARKET VALUE BE=THE INDIVIDUAL VALUE OF THE PRODUCE OF A CERTAIN CLASS [of land], OR MINES, OR NOT. What Smith fails to notice, is that the profit can only be diminished by this in case WITHDRAWAL OF CAPITAL AND DIMINUTION OF THE AMOUNT OF PRODUCTION BECOMES NECESSARY. If the market price—regulated, as it is UNDER THE GIVEN CIRCUMSTANCES, BY THE PRODUCE OF THE BEST MINES—falls so LOW AS TO AFFORD NO EXCESS ABOVE COST PRICE FOR THE PRODUCE OF THE WORST MINE, then it can be worked only by its owner. At this market price, no capitalist will pay him a rent. His ownership of land does not, in this case, give him power over capital, but as far as he is concerned it annuls the resistance which other capitalists meet who wish to APPLY CAPITAL TO LAND. Landed property does not *exist* for him because he himself is the landed proprietor. Hence he can use his LAND as a mine, or in any OTHER TRADE, i.e., he can employ it if the market price, which he *finds* predetermined and does not determine himself—if the market price of the product YIELDS him the AVERAGE PROFIT, that is, his *cost price*.

And from this Ricardo concludes that Smith contradicts himself! Because the old market price determines how far new mines can be opened up by their owners—in other words they can be worked in circumstances where landed property disappears, since at the old market price they yield their cultivators the *cost price*—he concludes that this cost price determines the market price! But again he takes refuge in the DESCENDING LINE and allows the less fertile mine to be cultivated only when the market price of the product rises above the value of the product of the better mines, whereas it is only necessary that it rises *above* the cost price or even that it pays the cost price in the case of the worse mines exploited by their PROPRIETORS themselves.

Incidentally, his assumption that *"if by new processes the quantity" (of coal) "should be increased, the *price would fall*, and *some mines would be abandoned*"* (p. 394), depends only on the DEGREE OF THE FALL IN PRICE and the STATE OF DEMAND. If, with this fall of PRICES, the market can absorb the whole product, then the bad mines will still yield a rent provided the FALL OF MARKET PRICE still leaves AN EXCESS OF MARKET VALUE OVER THE COST PRICE OF the poorer MINES, and [the mines will] be worked by their owners, if the MARKET VALUE ONLY COVERS, or is ADEQUATE TO, THIS COST PRICE. In either case, however, [it is] absurd to say that the COST PRICE of the worst mine REGULATES THE MARKET PRICE. Although THE COST PRICE OF THE WORST MINE determines the relation OF THE PRICE OF ITS PRODUCE TO THE REGULATING MARKET PRICE, AND *THEREFORE* DECIDES THE QUESTION WHETHER OR NOT [XII-618] the mine CAN BE WORKED. But the fact that a piece of land or a mine of a particular DEGREE OF FERTILITY can be exploited at a *given market price*, is obviously not related to or identical with the determination of the market price by the COST PRICE of the PRODUCE of these mines. If an *increased market value* would make an *ADDITIONAL SUPPLY* necessary or possible then the worst land would regulate the market value, but then it would also yield absolute rent. This is the exact *opposite* of the case assumed by Adam Smith.

Thirdly, Ricardo reproaches Smith for believing (p. 395 et seq.) that CHEAPNESS OF RAW PRODUCE, for instance substitution of potatoes for corn, which would lower the wage and DIMINISH the COST OF

PRODUCTION, would cause A LARGER SHARE AS WELL AS A LARGER QUANTITY to fall to the LANDLORD. Ricardo on the other hand [maintains that]:

*"No part of that additional proportion would go to rent, but the whole invariably to profits—while lands of the same quality were cultivated, and there was no alteration in their relative fertility or advantages, *rent would always bear the same proportion to the gross produce*"* (p. 396).

This is POSITIVELY wrong. RENT WOULD FALL IN SHARE, AND, THEREFORE, *RELATIVELY* IN QUANTITY. The introduction of potatoes as the principal means of subsistence, would reduce the value of labour capacity, shorten the necessary labour time, increase the surplus labour time and therefore the *rate* of surplus value, HENCE—other circumstances remaining the same—the composition of the capital would be altered, the value of the variable part would diminish in comparison with that of the constant part, although the *quantity* of living labour employed remained the same. The *rate of profit* would therefore rise. In this case [there would be] a fall in absolute rent and proportionately in differential rent. (See page 610 Table C.)[a] This factor would affect equally AGRICULTURAL and NON-AGRICULTURAL capital. The general rate of profit would rise and the rent would *consequently* fall.

*CHAPTER XXVIII. "On the comparative Value of Gold, Corn, and Labour, in Rich and Poor Countries."

"Dr. Smith's error, throughout his whole work, lies in supposing that the value of corn is constant; that though the value of all other things may, the value of corn never can be raised. Corn, according to him, is always of the same value because it will always feed the same number of people. In the same manner, it might be said, that cloth is always of the same value, because it will always make the same number of coats. What can value have to do with the power of feeding and clothing?" (p. 449-50).

"...Dr. Smith ... has so ably supported the doctrine of the natural price of commodities ultimately regulating their market price" (p. 451).

"...estimated in corn, gold may be of very different value in two countries. I have endeavoured to show that it will be low in rich countries, and high in poor countries; Adam Smith is of a different opinion: he thinks that the value of gold, estimated in corn, is highest in rich countries" (p. 454).

Chapter XXXII. "Mr. Malthus's Opinions on Rent."

"Rent is a creation of value ... but not a creation of wealth"[161] (p. 485).

"In speaking of the high price of corn, Mr. Malthus evidently does not mean the price per quarter or per bushel, but rather the excess of price for which the whole produce will sell, above the cost of its production, including always in the term 'cost of its production', profits as well as wages. One hundred and fifty qrs of corn at £3 10s. per qr, would yield a larger rent to the landlord than 100 qrs at £4, provided the cost of production were in both cases the same" (p. 487). "Whatever the nature of the land may be, high rent must depend on the high price of the

[a] See the insertion between pages 536 and 537.—*Ed.*

produce; but, given the high price, rent must be high in proportion to abundance and not to scarcity" (p. 492).

"As rent is the effect of the high price of corn, the loss of rent is the effect of a low price. Foreign corn never enters into competition with such home corn as affords a rent; the fall of price invariably affects the landlord till the whole of his rent is absorbed;—if it falls still more, the price will not even afford the common profits of stock; capital will then quit the land for some other employment, and the corn, which was before grown upon it, will then, and not till then, be imported. From the loss of rent, there will be a loss of value, of estimated money value, but, there will be a gain of wealth. The amount of the raw produce and other productions together will be increased; from the greater facility with which they are produced, they will, though augmented in quantity, be diminished in value"* (p. 519).

[XII-619] ADAM SMITH'S THEORY OF RENT

At this stage we shall not examine Smith's interesting account of how the rent of the principal vegetable food dominates all other STRICTLY AGRICULTURAL RENTS (stock raising, timber, industrial crops), because each of these branches of production can be transformed into one another. Adam Smith excludes rice from this, wherever it is the PRINCIPAL VEGETABLE MEANS OF SUBSISTENCE, since rice fields (or bogs) are not CONVERTIBLE into grass land, wheat lands, etc., and vice versa.

Adam Smith correctly defines *rent* as "the price paid for *the use of land*" ([Garnier, t.] I, [p.] 299) [Vol. I, p. 237],[14] the term land is intended to mean every power of nature as such, therefore also water, etc.

In contrast to Rodbertus' peculiar notion,[162] Smith, from the outset, enumerates the ITEMS of AGRICULTURAL CAPITAL:

"The stock from which he furnishes the seed" (the raw material), "pays the labour, and purchases and maintains the cattle and other *instruments* of husbandry" (l.c.).

Now what is this price paid for the use of land?

"Whatever part of the produce or of its price, is over and above this share" //which pays for the capital advanced "together with the ordinary profits"//, "the *landlord* naturally endeavours to reserve to himself as the *rent* of his land" ([Garnier,] l.c., [p.] 300) [Vol. I, pp. 238-39]. This *excess* may "be considered as the *natural rent* of land" ([Garnier, p.] 300) [Vol. I, p. 239].

Smith refuses to confuse rent with the interest on capital invested in the land.

"The landlord demands a rent even for unimproved land" ([Garnier,] pp. 300-01) [Vol. I, p. 239].

and, he adds, even this second form of rent[a] is peculiar in that the interest from the capital used on improvement is interest on a

[a] The rent on the improved land.—*Ed.*

capital which has not been laid out by the landlord, but by the FARMER.

"He" (the landlord) "sometimes demands rent for what is altogether incapable of human improvements" ([Garnier,] p. 301) [Vol. I, p. 240].

Smith stresses very strongly that it is *landed property*, the *landlord*, who as *landlord* "demands the rent".[a] [Regarded] as a mere effluence of *landed property*, rent is *monopoly price*, this is perfectly correct, since it is only the intervention of landed property which enables the product to be sold for more than the cost price, to be sold at its value.

"The rent of land considered as the price paid for the use of the land, is naturally a monopoly price" ([Garnier,] p. 302) [Vol. I, p. 240].

It is in fact a price which is only enforced through the monopoly of landed property, and as a monopoly price, it differs from the price of the INDUSTRIAL PRODUCTS.

From the standpoint of capital—and capital dominates production—the *cost price* only requires that the product should pay the AVERAGE PROFIT in addition to the capital advanced. In this case, the product, be it product of the land or any other product, *can "be brought to market"*.

"If the ordinary price is more than this, the *surplus* part of it will naturally go to the rent of the land. If it is not more, though the commodity *may* be brought to market, it can afford no rent to the landlord. Whether the price is, or is not more, depends upon the demand" ([Garnier, t.] I, p [p. 302-]303) [Vol. I, p. 241]).

Why does rent enter into price differently from wages and profit? That is the question. Originally, Smith had resolved value correctly, into wages, profits and rents (apart from constant capital). But almost at once he takes the opposite course and identifies value with natural price (the average price determined by competition or the cost price of the commodities) and builds up the latter from wages, profit and rent.

"These three parts seem either immediately or ultimately to make up the whole price" ([Garnier, t.] I, l. I, ch. VI, p. 101) [Vol. I, p. 86].

"In the most improved societies, however, there are always a few commodities of which the price resolves itself *into two parts only*, the *wages of labour and the profits of stock*; and a still smaller number, in which *it consists altogether in the wages of labour*. In the price of sea-fish, for example, one part pays the labour of the fishermen, and the other the profits of the capital employed in the fishery. *Rent* very seldom makes any part [XII-620] of it.... In some parts of Scotland, a few poor people make a trade of gathering, along the sea-shore, those little variegated stones commonly known by the name of *Scotch pebbles*. The price which is paid to

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[a] Here and below Marx uses French words and expressions while commenting on Smith's views.—*Ed.*

them by the *stone-cutter*, is altogether the *wages of their labour; neither rent nor profit makes any part of it.*

"But the *whole price of any commodity* must still finally resolve itself *into some one or other or all of those three parts*" ([Garnier, t.] I, l. I, ch. VI, pp. 103-04) [Vol. I, pp. 88-89].

In these passages, the resolving of value into wages, etc. and the compounding of price from wages, etc., are jumbled together (this applies to Chapter VI in general which deals with "the Component Parts of the Price of Commodities"). (Natural price and market price are for the first time discussed in Chapter VII).

Book I, Chapters I, II, III deal with the "division of labour", Chapter IV with money. In these, as in the following chapters, *value* is determined in passing. *Chapter V* deals with the *real* and *nominal price* of commodities, with the transformation of *value into price*; *Chapter VI*, "the Component Parts of the Price of Commodities"; the *natural and market price* in *Chapter VII*. Then *Chapter VIII* deals with the wages, *Chapter IX* with the profits of stock; *Chapter X* with the *Wages and Profit in the Different Employments of Labour and Stock*; finally, *Chapter XI* with the *Rent of Land*.

But in this connection we want first to draw attention to the following: According to the passages cited above, there are commodities whose *price* consists solely of wages, others, whose price consists only of wages and profit, and finally a third group of commodities, whose price consists of wages, profit and rent. Hence:

"The *whole price of any commodity* must still ... resolve itself into *some one or other or all of those three parts*."

According to this, there would be no grounds for saying that rent enters into price in a different manner from profit and wages, but one could say that rent and profit enter into price in a different way from wages, since the latter always enters [into price], the former not always. *Whence, then, the difference?*

Moreover, Smith should have investigated, whether it is possible that the few commodities which only *comprise wages*, are sold at *their value*, or whether the poor people who gather the Scotch pebbles are not in fact the wage labourers of the *stone-cutters*, who pay them only the usual wages for the commodity, in other words for a *whole working day, which apparently belongs to them*. These people receive only as much as a worker in other TRADES, where *part of the working day* forms profit and belongs not to him but to the capitalist. Smith should have either affirmed this or else asserted that in this case the profit only *seems* to be confounded with wages. He says himself:

"When those three different sorts of revenue belong to different persons, they are readily distinguished; but when they belong to the same, they are sometimes confounded with one another, at least in common language" ([Garnier, t.] I, l. I, ch. VI, p. 106) [Vol. I, p. 90].

He nevertheless works out this problem in the following manner:

If an independent labourer (like those poor people of Scotland) uses only labour (without recourse to capital), if, altogether, he only employs his labour and the elements, then the price resolves itself solely into wages. If he employs a small capital as well, then the same individual receives wages and profit. If, finally, he employs his labour, his capital and his landed property, then he unites in his person the characters of landowner, farmer and worker.

//The whole absurdity of Smith's approach comes to light in one of the final passages of Chapter VI, Book I:

"As in a civilised country there are but few commodities of which the *exchangeable value* arises *from labour only*" (here labour is identified with *wages*) "*rent* and *profit* contributing largely to that of the far greater part of them, so the *annual produce of its labour*" //here, after all, the commodities=the *produce of labour,* although the whole value of this produce does not arise from labour only// "will always be sufficient *to purchase or command a much greater quantity of labour than what was employed in raising, preparing, and bringing that produce to market*" ([Garnier,] l.c., I, pp. 108-09) [Vol. I, p. 92].

The produce of *labour* [is] not=the *value* of this produce. On the contrary (one may gather) this value is *increased* by the addition of profit and rent. The produce of labour can therefore command, purchase, more labour, i.e., pay a greater value in labour than the labour contained in it. This proposition would be correct if it ran like this:

[XII-621] *Smith says:*

"As in a civilised country there are but few commodities of which the *exchangeable value* arises *from labour only,* rent and profit *contributing* largely to that of the far greater part of them, so the annual produce of its labour will always be sufficient to purchase or command a much greater *quantity of labour* than *what was employed in raising, preparing, and bringing that produce to market.*"

According to him himself, it should read:

"As in a civilised country there are but few commodities of which the *exchangeable value* resolves itself into *wages* only and since, for a greater part of them, this value largely *resolves* itself into rent and profit, so the annual produce of its labour will always be sufficient to purchase or command a much greater *quantity of labour* than what had to be *paid*" (and therefore employed) "in raising, preparing, and bringing that produce to market".[a]

[a] Quotation from Smith and Marx's comment on it are in French in the manuscript.— *Ed.*

Here Smith returns again to his 2nd conception of value, a concept of which he writes the following in the same chapter:

"The real value of all the different component parts of price, it must be observed, is measured by the *quantity of labour which they can, each of them, purchase or command.* Labour" (in this sense) "measures the value, not only of that part of price which *resolves* itself into *labour*" //should read: into wages// "but of that which *resolves itself* into *rent*, and of that which *resolves itself* into *profit*" ([Garnier,] I, 1. I, ch. VI, p. 100) [Vol. I, p. 86].

(In Chapter VI, the "resolution of *value* into wages, profit and rent" is still dominant. It is only in Chapter VII, on the natural price and market price, that the compounding of the price from these constituent elements wins the upper hand.)

Hence: The *exchangeable value of the annual product of labour* consists not only of the wages of the labour employed in order to bring forth this product, but also of profit and rent. This labour however is only *commanded* or *purchased* with that part of the value which resolves into wages. It is thus possible to set into motion a much larger amount of labour, if a part of the profit and rent is used to command or purchase labour, i.e., if it is converted into wages. So it amounts to this: the exchangeable value of the annual product of labour resolves itself into *paid labour* (wages) and *unpaid labour* (profit and rent). If therefore a part of that part of the value which resolves itself into unpaid labour is converted into wages, one can purchase a greater quantity of labour than if one merely assigns that part of the value which consists of wages, to the purchase of new labour.//

Let us go back then:

"An independent labourer,[a] who has *stock enough* both to purchase materials, and to maintain himself till he can carry his work to market, should gain both the *wages of a journeyman* who works under a *master*, and the profit which that master makes by the sale of that journeyman's work. His whole gains, however, are commonly called *profit*, and wages are in this case too, confounded with profit.

"A gardener who cultivates his own garden with his own hands, unites in his own person the *three different characters of landlord, farmer, and labourer.* His produce, therefore, should pay him the rent of the first, the profit of the second, and the wages of the third. The whole, however, is commonly considered as the *earnings of his labour.* Both rent and profit are, in this case, confounded with wages" ([Garnier,] I, l. I, ch. VI, p. 108) [Vol. I, pp. 91-92].

This is indeed confounded. Is not the *whole* "the earnings of his labour"? And are not, on the contrary, the conditions of capitalist production—in which, with the separation of labour from its objective conditions, the worker, capitalist and landowner confront one another as three different characters too—transferred to this

[a] Smith has "manufacturer".—*Ed.*

gardener, so that the product of his labour OR RATHER THE VALUE OF THAT PRODUCE IS REGARDED, PART OF IT AS WAGES, IN PAYMENT OF HIS LABOUR, PART OF IT AS PROFIT, ON ACCOUNT OF THE CAPITAL EMPLOYED, AND PART OF IT AS RENT, AS THE PORTION FALLING DUE TO THE LAND OR RATHER THE PROPRIETOR OF THE LAND? *Within* capitalist production it is quite correct, when considering those working conditions in which these elements are *not* separated (in actual fact), to assume them to be separated and so to regard this gardener as his own [XII-622] journeyman and as his own landowner in *una persona*.[a] The vulgar conception however that wages arise from labour, but profit and rent—independently of the labour of the worker—arise out of capital and LAND as separate sources, not for the appropriation of alien labour, but of wealth itself, evidently creeps into Adam Smith's writing already at this stage. In this fantastic fashion, the profoundest concepts intermingle with the craziest notions, such as the common mind forms in an abstract manner from the phenomena of competition.

Having first *resolved* value into wages, profits, rents, he then on the contrary *compounds* value out of wages, profit and rent, whose magnitudes are determined independently of value. Since Adam Smith has thus forgotten the origin of profit and rent correctly explained by himself, he is able to say:

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

In accordance with his own explanation, he should have said:

"The *value* of a commodity arises exclusively out of the labour (the amount of labour) which is embodied in this commodity. This value resolves itself into wages, profit and rent. Wages, profit and rent are the original forms in which the worker, the capitalist and the landlord participate in the value created by the labour of the worker. In this sense they are the three original *sources* of all *revenue,* although none of these so-called sources enters into the formation of the value."

From the passages quoted it can be seen how in Chapter VI, on the "*Component Parts of the Price of Commodities*", Adam Smith arrives at the resolution of price into wages, where only (IMMEDIATE) labour enters into the production; into wages and profit, where, instead of the INDEPENDENT WORKMAN, a journeyman is employed by a capitalist (i.e., capital); and finally into wages, profit and rent, where "land" enters into the production besides capital and labour. In this latter case, however, it is assumed that the land is appropriated, that consequently alongside the worker and the capitalist, there is also a landowner (although he notes that it is possible for all 3 or two of these characters to be united in one person).

[a] In one person.—*Ed.*

In *Chapter VII*, on *natural price* and *market price*, rent (where land enters into the production) is presented as a *partie constituante* of the natural price in exactly the same way as wages and profit. The following passages will show this (Book I, *Chapter VII*):

"When the price of any commodity is neither more nor less than what is sufficient to pay the rent of the land, *the wages of the labour*, and the *profits of the stock* employed in raising, preparing, and bringing it to market, according to their *natural* rates, the commodity is then sold for what may be called *its natural price*. The commodity is then sold *precisely* for *what it is worth*" ([Garnier,] I, p. 111) [Vol. I, pp. 93-94]. (At the same time, it is stated here that the natural price is identical with the value of the commodity.)

"The *market price* of every particular commodity is regulated by the proportion between the quantity which is actually brought to market, and the demand of those who are willing to pay the *natural price* of the commodity, or the *whole value of the rent*, profit and wages[a] *which must be paid in order to bring it thither*" ([Garnier,] I, p. 112) [Vol. I, p. 95.]

"When the quantity of any commodity which is brought to market *falls short of* the effectual demand, all those who are willing to pay the *whole value* of the rent, *wages, and profit*, which must be paid in order to bring it thither, cannot be supplied with the quantity which they want ... the *market price* will rise more or less *above* the *natural price*, according as either the *greatness of the deficiency*, or the *wealth* and wanton luxury of the competitors, happen to animate more or less the eagerness of the competition" ([Garnier,] I, p. 113) [Vol. I, p. 95].

"When the quantity brought to market exceeds the effectual demand, it cannot be all sold to those who are willing to pay the whole value of the rent, wages, and profit, which must be paid in order to bring it thither.... The *market price* will sink more or less below the *natural price*, according as the greatness of the excess increases more or less the competition of the sellers, or according as it happens to be more or less important to them to get immediately rid of the commodity" ([Garnier,] I, p. 114) [Vol. I, p. 96].

"When the quantity brought to market is just sufficient to supply the effectual demand, and no more, the *market price* naturally comes to be ... exactly ... the same with the *natural price*.... The competition of the different dealers obliges them all to accept of this price, but does not oblige them to accept of less" ([Garnier,] I, pp. 114-15) [Vol. I, pp. 96-97].

[XII-623] IF, IN CONSEQUENCE OF THE STATE OF THE MARKET, HIS RENT SINKS BELOW, OR RISES ABOVE, ITS NATURAL rate, Adam Smith allows the landowner to *WITHDRAW HIS LAND* OR TRANSFER IT *FROM THE PRODUCTION OF ONE COMMODITY* (such AS WHEAT) TO THAT OF *ANOTHER* (such AS PASTURE FOR INSTANCE).

"If at any time it" (the quantity brought to market) "exceeds the effectual demand, some of the component parts of its price must be paid below their *natural price*.[b] If it is rent, the interest of the landlords will immediately prompt them *to withdraw a part of their land*" ([Garnier,] I, p. 115) [Vol. I, p. 97].

"If, on the contrary, the quantity brought to market should at any time *fall short of the effectual demand* some of the component parts of its price must rise above

[a] Smith has "the rent, labour, and profit".—*Ed.*
[b] Smith has "rate".—*Ed.*

their *natural* rate. If it is rent, the interest of all other landlords will naturally prompt them to prepare more land for the raising of this commodity" ([Garnier,] I, p. 116) [Vol. I, p. 97].

"The occasional and temporary fluctuations in the *market price* of any commodity fall chiefly upon those parts of its price which resolve themselves into wages and profit. That part which resolves itself into rent is less affected by them" ([Garnier,] I, pp. 118-19) [Vol. I, p. 99].

"The *price of monopoly* is upon every occasion the highest which can be got. The *natural price*, or the price of free competition, on the contrary, is the lowest which can be taken, not upon every occasion indeed, but for any considerable time together" ([Garnier,] I, p. 124) [Vol. I, pp. 103-04].

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

After this exposition of the subject in Chapter VII, it is very difficult to see how Adam Smith can justify his proposition in Book I, Chapter XI, "*Of the Rent of Land*", that rent does not always enter into price where appropriated land enters into production; how he can differentiate between the manner in which rent enters into price from that in which profit and wages enter into it, since in chapters VI and VII he has turned rent into a *partie constituante* of the *natural price*, in just the same way as profit and wages. Now let us return to this Chapter XI (Book I).

We have seen that there rent is defined as the SURPLUS which remains from the *price of the product*, after the expenses of the CAPITALIST (FARMER)+THE AVERAGE PROFIT have been paid.

In this Chapter XI, Smith makes a complete turn-about. Rent no longer enters into the *natural price*. Or, rather, Adam Smith takes refuge in an *ordinary price* which is *normaliter*[a] different from the natural price, although we were told in Chapter VII, that the ordinary price can never, for any length of time, *be below* the natural price and that none of the component parts of the natural price can for any length of time, be paid below its natural rate and even less, not paid at all, as he now asserts in relation to rent. Neither does Adam Smith tell us whether the produce is sold *below its value* when it pays no rent, or whether it is sold *above* its value, when it pays rent.

Previously, the *natural price* of the commodity was

"*the whole value of the rent, profit and wages which must be paid in order to bring it thither*" to market [Garnier], I, p. 112) [Vol. I, p. 95].

[a] as a rule.—*Ed.*

Now we are told that:

"Such parts *only* of the produce of land *can commonly be brought to market*, of which the *ordinary price* is sufficient *to replace the stock which must be employed in bringing them thither, together with its ordinary profits*" ([Garnier,] pp. 302-03) [Vol. I, p. 241].

The *ordinary price* is therefore not the *natural price*, and the natural price need not be paid, in order to bring these commodities to market.

[XII-624] Previously we were told that if the *ordinary price* (that time, the *market price*) were not sufficient to pay the *whole rent* (the whole value of the rent, etc.), land will be withdrawn until the market price rises to the level of the natural price and pays the whole rent. Now, on the other hand:

"If the *ordinary price is more than this*" (sufficient to replace the stock together with its ordinary profits), "the *surplus* part of it will naturally go to the rent of the land. If it is not more, though the *commodity may be brought to market*, it can afford no rent to the landlord. Whether the price is, or is not more, depends upon the demand" ([Garnier,] I, l. I, ch. XI, p. 303) [Vol. I, p. 241].

Thus rent, from being a component part of the *natural price*, suddenly turns into a SURPLUS over the *sufficient price*, a surplus whose existence or non-existence depends on the STATE OF DEMAND. But the *sufficient price* is that price which is required for the commodity to appear on the market, and therefore to be produced, thus it is the *price of production* of the commodity. For the price which is required for the SUPPLY of the commodity, the price which is required for it to come into existence at all, to appear as a commodity on the market, IS OF COURSE its *price of production* or *cost price*. That [is] *sine qua non* of the existence of the commodity. On the other hand the demand for certain products of the land must always be such that their *ordinary price* pays a surplus over and above the price of production, that is, a rent. For others it may or may not be so.

"There are some parts of the produce of land for which the demand must always be such as to afford a greater price than what is sufficient to bring them to market; and there are others for which it either may or may not be such as to *afford* this *prix suffisant*.[a] The former must always afford a rent to the landlord. The latter sometimes may, and sometimes may not, according to different circumstances" ([Garnier,] l.c., l. I, p. 303) [Vol. I, p. 241].

So, instead of the *natural price* we have the *sufficient price* here. The *ordinary price*, in turn, is different from this *sufficient price*. The ordinary price, if it *includes* the rent, is *above* the sufficient price. If it does not comprise rent it is *equal* to the sufficient price. It is even characteristic of the *sufficient price that rent is excluded*.

[a] Sufficient price.— *Ed.*

The ordinary price is *below* the sufficient price, when it does not pay the AVERAGE PROFIT, in addition to replacing the capital. Thus the *sufficient price* is in fact the *price of production* or *cost price* as abstracted by Ricardo from Adam Smith and as it indeed presents itself from the standpoint of capitalist production, in other words the price which, apart from the outlay of the capitalist, pays the ordinary profit; [it is] the average price brought about by the competition of capitalists in the DIFFERENT EMPLOYMENTS OF CAPITAL. It is this abstraction from competition which induces Adam Smith to confront his *natural price* with the *sufficient price*, although in his presentation of the natural price he on the contrary declares that in the long run only the ordinary price which pays rent, profit and wages, the component parts of the natural price, is sufficient. Since the capitalist controls the production of commodities, the sufficient price is that which is sufficient for capitalist production from the standpoint of capital and the PRICE which is SUFFICIENT for capital DOES NOT INCLUDE RENT, BUT, ON THE CONTRARY, EXCLUDES IT.

On the other hand: This *SUFFICIENT PRICE* is not SUFFICIENT for some products of the land. For them the *ORDINARY PRICE* must be high enough to yield a SURPLUS over and above the SUFFICIENT PRICE, a rent for the landowner. For others it depends on the circumstances. The contradiction that the SUFFICIENT PRICE is not SUFFICIENT—that the price which suffices to bring the product to market does not suffice to bring it to market—does not worry Adam Smith.

Although he does not turn back, even for one moment, to glance at chapters V, VI and VII, he admits to himself (not as a contradiction, but as a new discovery which he has suddenly hit upon), that with the SUFFICIENT PRICE, he has overthrown his whole doctrine of NATURAL PRICE.

"*Rent*, it is to be *observed*, therefore" (in this extraordinarily naive fashion Adam Smith progresses from an assertion to its very opposite), "enters into the composition *of the price of commodities* in a different way from wages and profit. *High* or *low wages and profit* are the causes *of high or low price* [XII-625]; high or low rent is the **effect** *of it. It is because high or low wages and profit must be paid, in order to bring a particular commodity to market,* that its price is high or low. But it is because *its price is high or low,* a great deal more, or very little more, or *no more, than what is sufficient to pay those wages and profit,* that it affords a high rent, or a low rent, or no rent at all" ([Garnier,] I, pp. 303-04) [Vol. I, pp. 241-42].

Let us take the final proposition first. The *sufficient price*, the cost price, which only pays wages and profit, *excludes rent*. If the product pays *a great deal more than the sufficient price*, then it pays a high rent. If it pays only a little more, then it pays a low rent. If it pays *only exactly the sufficient price*, then it pays *no* rent. It pays *no* rent if the actual price of the product coincides with the *sufficient price*, which pays profit and wages. Rent is always a SURPLUS over and above the sufficient price. By its very nature, the sufficient price excludes rent. *This is Ricardo's theory.* He accepts the concept of the *sufficient price*, the cost price, from Adam Smith; but avoids Adam Smith's inconsistency of differentiating it from the natural price, and sets it forth consistently. Having committed all these inconsistencies, Smith is sufficiently inconsistent to demand, for certain products of the land, a price which is *higher* than their *sufficient price*. But this inconsistency itself is in turn the result of *a more correct* "OBSERVATION".

The beginning of the passage is truly amazing in its naiveté. In Chapter VII Smith explained that rent, profit and wages enter equally into the *composition of the natural price*, having first turned the *DISSOLUTION OF VALUE* INTO RENT, PROFIT AND WAGES into the COMPOSITION OF VALUE BY NATURAL PRICES OF RENT, PROFIT AND WAGES. Now he tells us that RENT enters INTO "THE *COMPOSITION OF THE PRICE* OF COMMODITIES" *differently* from PROFIT and WAGES. And in what way does it enter *differently* INTO *THAT COMPOSITION*? By *not* entering into that composition *at all*. And here we are first given a true explanation of the SUFFICIENT PRICE. The *price of the commodities* is dear or cheap, high or low, because wages and profit—their natural rates—are high or low. The commodity will not be brought to market, will not be produced, unless these high or low profits and wages are paid. They form the *price of production* of the commodity, its *cost price*; and are thus in fact the *constituent elements of its value* or *price*. *Rent*, on the other hand, does not enter into the *cost price*, the *price of production*. It is not a constituent element of the EXCHANGEABLE VALUE of the commodity. It is *only* paid when the *ORDINARY PRICE* of the commodity is *above* its *SUFFICIENT* price. Profit and wages as *constituent elements* of the price are *causes* of the price; rent, on the other hand, is only its *effect*, its *result*. It does not, therefore, enter into the composition of the price as an element, as do profit and wages. And this is what Smith calls entering into this composition in a *different* way from profit and wages. He does not appear to be in the slightest bit aware of the fact that he has thrown over his doctrine of NATURAL PRICE. For what was the NATURAL PRICE? The central point to which the market price gravitated; the *SUFFICIENT PRICE*, *below* which in the long run the product could not fall, if it were to be produced and brought to market.

Thus rent is now the *SURPLUS over the* NATURAL PRICE, previously [it was] a *component part of the* NATURAL PRICE; now [it is the] effect, previously [it was] the CAUSE, of PRICE.

There is however no contradiction in Adam Smith's assertion that for certain products of the land, the CIRCUMSTANCES of the market are always such that their ORDINARY PRICE must be above their SUFFICIENT PRICE, in other words: that *landed property* has the power to force the price above that LEVEL which would be SUFFICIENT for the capitalist if he were not confronted by a COUNTERACTING INFLUENCE.

[XII-626] Having thus, in Chapter XI, thrown overboard chapters V, VI and VII, he calmly proceeds by saying that: he will now make it his business to consider 1. the produce of the land which always affords rent; 2. the produce of the land which sometimes affords rent and sometimes not; finally 3. the VARIATIONS which take place, in the different periods of development of society, in the relative value, partly of these two sorts of produce compared with one another and partly in their relationship to manufactured commodities.

Part I. Of the Produce of Land which always affords Rent.

Adam Smith begins with the theory of population. The *means of subsistence* always create a *demand* for themselves. If the means of subsistence increase, then the people, the consumers of the means of subsistence, also increase. The supply of these commodities thus *creates* the demand for them.

"As men, like all other animals, *naturally multiply in proportion to the means of their subsistence, food is always more or less in demand.* It can always purchase or command a greater or smaller quantity of labour, and somebody can always be found who is willing to do something in order to obtain it" ([Garnier,] I, 1. I, ch. XI, p. 305) [Vol. 1. p. 242].

"But //WHY?// *land*, in almost any situation, *produces a greater quantity of food* than what is sufficient *to maintain all the labour* necessary for bringing it to market, in the most liberal way in which that labour is ever maintained. The *surplus*, too, is always more than sufficient *to replace the stock which employed that labour, together with its profits.* Something, therefore, always remains for a rent to the landlord" ([Garnier,] l.c., I, pp. 305-06) [Vol. I, p. 243].

This sounds quite *Physiocratic* and contains neither proof nor explanation of why the "*price*" of this particular commodity pays a rent, a surplus *over* and *above* the "sufficient price".

As an example he immediately refers to *pasture* and *uncultivated pasture.* Then follows the proposition on *differential rent*:

"The rent of land not only varies with its fertility, whatever be its produce, but with its situation, whatever be its fertility" ([Garnier,] I, p. 306) [Vol. I, pp. 243-44].

On this occasion rent and profit appear as mere *surplus* of the *product*, after that part of it has been deducted in *natura* which *feeds* the *worker.* (This is really the Physiocratic view, which is based on the FACT that in an agricultural country man lives almost exclusively on the agricultural product, and industry, manufacture, itself appears as a rural side-line which uses the *local product* of nature.)

"A greater quantity of labour, therefore, must be maintained out of it[a]; and the *surplus, from which are drawn both the profit of the farmer* and *the rent of the landlord,* must be diminished" ([Garnier,] I, p. 307) [Vol. I, p. 244].

The growing of corn must therefore yield a greater profit than *pasture.*

"A *cornfield* of moderate fertility produces a much *greater quantity of food for man* than the best pasture of equal extent."

//Thus it is not a question of price here, but of the absolute quantity of food for man.//

"Though its cultivation requires *much more labour,* yet the *surplus* which remains after replacing the seed and *maintaining all that labour,* is likewise much greater."

//Although corn costs *more labour,* the cornfield yields a larger *surplus* of food, after labour has been paid, than a meadow used for stock raising. And it is *worth more,* not because corn costs more labour, but because the surplus in corn contains more nourishment.//

"If a pound of butcher's meat, therefore, was *never* supposed to be *worth more* than a pound of bread, this *greater surplus* (for corn)" //because the same area of land yields more pounds of corn than meat// "would everywhere be of *greater value,*" (because it is *assumed,* that a pound of bread=a pound of meat (in value), and that, after the workers have been fed, more pounds of bread than pounds of meat are left over from the same area of land) "and constitute a greater fund both for the profit of the farmer and the *rent* of the landlord" ([Garnier,] I, pp. 308-09) [Vol. I, p. 245].

Having replaced the natural price by the sufficient price, and declared rent to be the surplus over and above the sufficient price, Smith forgets altogether, that it is a question of *price,* and derives rent from the ratio between the amount of *food* yielded by agriculture and the amount of *food* consumed by the agricultural worker.

IN POINT OF FACT—apart from this *Physiocratic* interpretation—he *postulates* that the *price* of the agricultural product which supplies the principal food pays *rent* in addition to profit. This is the starting-point for his further arguments. With the extention of cultivation, the natural pastures become insufficient for stock raising and cannot satisfy the demand for butcher's meat. Cultivated land has to be employed for this purpose. [XII-627]

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[a] I.e., out of the product of the land situated at a greater distance from the market.—*Ed.*

The price of meat therefore has to rise to the point where it pays not only the *labour* which is employed in stock raising, but also:

"*the rent which the landlord, and the profit which the farmer could have drawn from such land employed in tillage.* The cattle bred upon the most uncultivated moors, when brought to the same market, are, in proportion to their weight or goodness, sold at the same price as those which are reared upon the most improved land. The proprietors of those moors profit by it, and raise the rent of their land in *proportion to the price of their cattle.*"

(In this passage Adam Smith correctly derives the differential rent from the surplus of the market value over the individual value. In this case, however, the market value rises, not because there is a transition from better to worse, but from less fertile to more fertile land.)

"...It is thus that, in the progress of improvement, the *rent and profit of unimproved pasture* come to be regulated in some measure by the rent and profit of what is improved, and *these again, by the rent and profit of corn*" ([Garnier,] I, pp. 310-11) [Vol. I, p. 247].

"But where there is no local advantage ..., the rent and profit of corn, or whatever else is the common vegetable food of the people, must naturally regulate, upon the land which is fit for producing it, the rent and profit of pasture." ([Garnier,] (p. 315) [Vol. I, pp. 249-50].

"The use of the artificial grasses, of turnips, carrots, cabbages, and *the other expedients* which have been fallen upon to make an *equal quantity of land feed a greater number of cattle than when in natural grass*, should somewhat reduce, it might be expected, the superiority which, in an improved country, the price of butcher's meat naturally has over that of bread." (l.c.) "It seems accordingly to have done so" etc. (l.c.) [Vol. I, p. 250].

Having thus set forth the *relationship between rent yielded by pasture and by tilled land*, Smith continues:

"In all great countries, the greater part of the cultivated lands are employed in producing either food for men or food for cattle. The rent and profit of these regulate the rent and profit of all other cultivated land. If any particular produce afforded less, the land would soon be turned into corn or pasture; and if any afforded more, some part of the lands in corn or pasture would soon be turned to that produce" ([Garnier,] I, p. 318) [Vol. I, p. 252].

Then he speaks of vineyards, fruit and *potager*,[a] etc.

"The rent and profit of those productions, therefore, which require either a greater original expense of improvement in order to fit the land for them, or a greater annual expense of cultivation, though often much superior to those of corn and pasture, yet when they do no more than compensate such extraordinary expense, are in reality regulated by the rent and profit of those common crops" ([Garnier,] I, pp. 323-24) [Vol. I, p. 256].

Then he passes on to sugar cultivation in the colonies [and] tobacco.

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[a] Vegetable gardens.—*Ed.*

"It is in this manner that the rent of the cultivated land, of which the produce is human food, regulates the rent of the greater part of other cultivated land" ([Garnier,] I, p. 331) [Vol. I, p. 262].

"In Europe, corn is the principal produce of land, which serves immediately for human food. Except in particular situations, therefore, the rent of corn-land regulates in Europe that of all other cultivated land" ([Garnier, I] pp. 331[-32] [Vol. I, p. 262].

Adam Smith then returns to the Physiocratic theory, as interpreted by him, namely that food creates consumers for itself.

If corn were replaced by some other crop, which with the same system yielded a much greater quantity of food on the most common land, then "the *rent* of the landlord, or *the surplus quantity of food* which would remain to him, after paying the labour, and replacing the stock of the farmer, together with its ordinary profits, would necessarily be much greater. Whatever was the rate at which labour was commonly maintained in that country, this *greater surplus could always maintain a greater quantity of it,* and, *consequently,* enable the landlord to purchase or command a greater quantity of it" ([Garnier,] I, p. 332) [Vol. I, pp. 262-63].

Adam Smith cites rice as an *example.*

"In Carolina ... the *planters,* as in other British colonies, *are generally both farmers and landlords,* and *rent,* consequently, *is confounded with profit* ([Garnier,] I, p. 333) [Vol. I, p. 263].

[XII-628] The rice field, however,

"is unfit either for corn, or pasture, or vineyard, or, indeed, for any other vegetable produce that is very useful to men; and the lands which are fit for those purposes are not fit for rice." ([Garnier,] I, 334) [Vol. I, p. 264]. "Even in the rice countries, therefore, the rent of rice lands cannot regulate the rent of the other cultivated land which can never be turned to that produce" ([Garnier,] I, p. 334) [Vol. I, p. 264].

Second example, potatoes (Ricardo's criticism of this has been mentioned earlier[a]). If potatoes became the principal food, in place of corn,

"*the same quantity of cultivated land would maintain a much greater number of people*; and the labourers being generally fed with potatoes, a greater *surplus* would remain after replacing all the stock, and maintaining all the labour employed in cultivation. A greater share of this surplus, too, would belong to the landlord. Population would increase, and rents would rise much beyond what they are at present" ([Garnier,] I, p. 335) [Vol. I, p. 265].

A few more comments on wheaten bread, bread made of oatmeal, and on potatoes conclude the first section of Chapter XI.

One can therefore sum up this section, which deals with the product of land *which always pays a rent,* as follows: after *postulating* the rent of the principal vegetable food, it sets forth how this rent

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[a] See this volume, pp. 549-50.— *Ed.*

regulates the rent of cattle-breeding, wine-growing, market gardening, etc. There is *nothing* about the nature of rent itself, except the general thesis that, *provided* rent exists, its amount is determined by FERTILITY and SITUATION. But this only relates to differences in rents, differences in the magnitude of rents. But why does this product always pay a rent? Why is its ORDINARY PRICE always higher than its SUFFICIENT PRICE? Smith leaves price out of account here and reverts to the Physiocratic theory. What runs through it, however, is that the *DEMAND* here is always so great because the product itself creates the *demandeurs*, [since it creates] its own consumers. Even provided that this were so it is incomprehensible why the DEMAND should rise above the SUPPLY and thus force the price *above* the SUFFICIENT PRICE. But there is here a secret recollection of the image of the NATURAL PRICE which includes rent as well as profit and wages and which is paid when SUPPLY corresponds with DEMAND.

"When the quantity brought to market is just sufficient to supply the effectual demand, and no more, the *market price* naturally comes to be exactly ... the same with the *natural price*" ([Garnier,] I, p. 114) [Vol. I, p. 95].

It is however characteristic that Adam Smith nowhere in this section states this clearly. In opening Chapter XI, he had just said that rent does not enter into price as a component part. The contradiction was too conspicuous.

Part II: Of the Produce of Land which sometimes does, and sometimes does not, afford Rent.

It is actually only in this section that the general nature of rent is first discussed.

"Human *food* seems to be the only produce of land, which *always* and *necessarily* affords *some rent to the landlord*." (Why "always" and "necessarily", has not been shown.) "Other sorts of produce sometimes may, and sometimes may not, according to different circumstances" ([Garnier,] l.c., I, p. 337) [Vol. I, p. 267].

"*After food, clothing and lodging* are the two great wants of mankind" ([Garnier, I], l.c., p. 338) [Vol. I, p. 267].

"Land, in its original rude state, can afford the materials of clothing and lodging to a *much greater number of people* than it can *feed*." As a result of this "*superabundance* of those materials" in proportion to the number of people the land can feed, i.e., in proportion to the population, these materials "cost" little or nothing. A large part of these "materials" lies around unused and useless "and the price of what is used is *considered as equal only to the labour and expense of fitting it for use*". This price however affords "no rent to the landlord". On the other hand, where the land is in an improved state, the number of people whom "it can feed", i.e., the population, is greater than the quantity of those materials which it supplies, at least "in the way in which they require them, and are willing to pay for them". There is a relative "scarcity" of these materials "which necessarily augments their value". "*There is frequently a demand for more than can be had.*" More is paid for them than "the expense of bringing them to market. Their price, therefore, can always *afford some rent* to the landlord" ([Garnier,] I, pp. 338-39) [Vol. I, pp. 267-68].[a]

[XII-629] Here therefore an explanation of rent [is] derived, from the *excess of* DEMAND over the *SUPPLY* which can be provided at the *sufficient price*.

The original materials of clothing were the furs and skins "of the larger animals". Among nations of hunters and shepherds, whose food consists chiefly in the flesh of animals, "every man, *by providing himself with food, provides himself with the materials of more clothing than he can wear*. If there was no foreign commerce, the greater part of them would be thrown away as useless. Through the additional DEMAND provided by foreign trade, the price of this SURPLUS of materials is raised *above what it costs to send them to be sold*. This price affords, *therefore*, some rent to the landlord. Through its market in Flanders, English wool thus added something to the RENT of the land which produced it" ([Garnier,] I, pp. 339-40) [Vol. I, pp. 268-69].[a]

Foreign trade here raises the *price* of an AGRICULTURAL by-product to such an extent that the land which produces it can yield SOME RENT.

"The *materials of lodging* cannot always be transported to so great a distance as those of clothing, and do not so readily become an object of foreign commerce. When they are *superabundant* in the country which produces them, it frequently happens, even in the present commercial state of the world, that they are of *no value* to the *landlord*." Thus a stone quarry in the neighbourhood of London may yield a rent, whereas in many parts of Scotland and Wales, it may not. Similarly with timber. "In a populous and well-cultivated country" it will provide a rent, but "in many parts of North America" it will rot on the ground. The landowner WOULD BE GLAD TO GET RID OF IT. "When the materials of lodging are so superabundant, the part made use of is worth only the labour and expense of fitting it for that use. It affords no rent to the landlord, who generally grants the use of it to whoever takes the trouble of asking it. The *demand* of wealthier nations, however, sometimes enables him to get a rent for it" ([Garnier,] I, pp. 340-41) [Vol, I, pp. 269-70].

Countries are populated, not in proportion to the number of people "whom their produce *can clothe and lodge*, but in proportion to that of those whom *it can feed*. When food is provided, it is easy to find the necessary clothing and lodging. But though these are at hand, it may often be difficult to find food. In some parts even of the British dominions what is called a house, may be built by one day's labour of one man...". Among savage and barbarous nations, $^{1}/_{100}$ of the labour of a whole year will be sufficient to provide them with what they require in clothing and lodging. The other $^{99}/_{100}$ are often necessary to provide them with the food they need. "But when by the improvement and cultivation of land the *labour of one family can provide food for two*, the labour of half the society becomes sufficient to provide food for the whole." The other half can then satisfy the other wants and fancies of mankind. The principal objects of those wants and fancies are *clothing, lodging*, household *furniture*, and what is called *equipage*. The desire for food is limited. Those other desires are unlimited. Those who possess a surplus of food "are always willing to exchange the surplus". "The poor, in order *to obtain food*",

[a] Marx quotes partly in French, partly in German, with some alterations.—*Ed.*

exert themselves to satisfy those "fancies" of the rich, and, moreover, compete with one another in their endeavours. The number of workmen increases with the quantity of food, i.e., in proportion to the progress of agriculture. [The nature of] their "business" admits of "the utmost subdivisions of labour"; the [quantity of] materials which they work up therefore increases even more rapidly than their numbers. "Hence arises a demand for every sort of material which human invention can employ, either usefully or ornamentally, in building, dress, equipage, or household furniture; for the fossils and minerals contained in the bowels of the earth; the precious metals, and the precious stones.

"*Food* is, *in this manner,* not only the original source of *rent,* but every other part of the produce of land which afterwards affords rent, derives *that part of its value from the improvement of the powers of labour in producing food* by means of the improvement and cultivation of land" ([Garnier,] I, pp. 342-45) [Vol. I, pp. 270-72].[a]

What Smith says here, is the true physical basis of Physiocracy, namely, that the creation of surplus value (including rent) always has its basis in the relative productivity of agriculture. The first real form of surplus value is SURPLUS OF AGRICULTURAL PRODUCE (food), and the first real form of SURPLUS labour arises when one person is able to produce the food for two. Otherwise this has nothing to do with the development of rent, this specific form of SURPLUS VALUE, which presupposes capitalist production.

Adam Smith continues:

The other parts of the produce of the land (apart from food), which later afford rent, do not afford it always. The *demand* for them, even in the most cultivated countries, is not always *great enough* "to afford a greater *price than what is sufficient to pay the labour, and replace, together with its ordinary profits, the stock which must be employed in bringing them to market.* [XII-630] *Whether it is or is not such, depends upon different circumstances*" ([Garnier,] I, p. 345) [Vol. I, p. 272].[a]

Here therefore again: Rent arises from the *demand* being greater than the supply at the *sufficient price* which *only includes wages and profits, but no rent.* What else does this mean, but that the SUPPLY at the sufficient price is so great that *landed property* cannot offer any resistance to the equalisation of capitals or labour? That therefore, even though [landed] property exists legally, it does not exist in practice, or cannot be effective as such in practice? Adam Smith's mistake is that he fails to recognise that [landed] property sells [products] *above* the sufficient price, if it sells [them] at their *value.* His positive point, compared with Ricardo, is that he realises it depends on the circumstances, whether or not [landed] property can assert itself economically. It is therefore essential to follow this part of his argument step by step. He begins with the coal mine, then goes over to timber and then returns to the coal mine, etc. Accordingly we shall let him start with *timber.*

[a] Marx quotes partly in French, partly in German, with some alterations.— *Ed.*

The *price of wood* varies with the state of agriculture, for the same reasons as does the price of cattle. When agriculture was in its infancy, forests were dominant and a sheer nuisance to the landowner, who would gladly give it to anyone for the cutting. As agriculture advances, there is CLEARANCE OF FORESTS, partly through the expansion of tillage, partly through the increase in herds of cattle, which eat up, gnaw at, roots and young trees. "These [cattle], though they do not increase in the same proportion as corn, *which is altogether the acquisition of human industry*, yet multiply under the care and protection of men." The scarcity of wood, thus created, raises its *price*. Hence it can afford so high a rent that tilled land (or land that could be used for tillage) is converted into woodland. This is the case in GREAT BRITAIN. The rent of wood can never, for any length of time, rise above that of corn or pasture, but it may reach that level ([Garnier,] I, pp. 347-49) [Vol. I, pp. 274-75].

Thus IN FACT, the rent of woodland is by nature identical with that of pasture. It belongs therefore in this category, although wood does not serve for food. The economic category does not depend on the *use value* of the product, but on whether or not it is convertible into arable land and vice versa.

Coal mines. Smith observes correctly that the fertility or infertility of mines in general depends on whether the same quantity of labour can extract a larger or a smaller amount of minerals from the mine. *Infertility* can offset the *favourable* situation, so that such mines cannot be exploited at all. On the other hand, an *unfavourable* situation can offset the *fertility*, so that despite its natural fertility, such a mine cannot be exploited. This is in particular the case where there are neither good roads, nor shipping ([Garnier,] I, pp. 346-47) [Vol. I, pp. 273-74].

There are mines whose produce just reaches the *sufficient price*. Hence they pay profit for the entrepreneur but no rent. They can therefore be worked only by the landowner himself. In this way he gets "the ordinary profit of the capital which he employs". There are many mines of this type in Scotland. These could not be exploited in any other way.

"The *landlord will allow nobody else to work them without paying some rent, and nobody can afford to pay any*" ([Garnier,] I, p. 346) [Vol. I, p. 273].

Here Adam Smith has correctly defined under what circumstances land which has been *appropriated* pays no rent, namely where landowner and entrepreneur are *one* person. He has already told us earlier that this is so in the colonies. A farmer cannot cultivate the land there because he cannot pay any rent. But the owner can cultivate it with profit, although it does not pay him a rent. This is the case, for example, in the colonies in Western America, because new land can always be appropriated. The land as such is not an element that offers resistance, and the competition of landowners who cultivate the land themselves is here IN FACT competition between workers or capitalists. The position of coal mines, or mines in general, is different in the CASE SUPPOSED. The market value, as determined by the mines which provide for the DEMAND at this value, yields a smaller rent, or no rent at all but just covers the cost price in the case of mines that are less fertile or less favourably situated. These mines can only be worked by persons for whom the resistance of landed property and the exclusion from the land effected by this does not exist, because they are landowners and capitalists in one person; [this] only happens where in fact *landed property* disappears as an independent element opposed to capital. The position differs from that of the COLONIES in that: in the latter, the landowner cannot prohibit the EXPLOITATION of *new* land by anyone. In the former he can do so. He only gives himself the permission to exploit the mine. This does not enable him to draw a rent, but it does enable him to exclude others and to invest his capital in the mine, with profit.

What Adam Smith writes about the regulation of rent by the most fertile mine, I have already commented on, when discussing Ricardo and his polemic.[a] Here only one proposition needs to be stressed:

"The *lowest price*" (previously SUFFICIENT PRICE) "at which coals can be sold for any considerable time, is, like that of all other commodities, the *price which is barely sufficient to replace, together with its ordinary profits, the stock which must be employed in bringing them to market*" ([Garnier,] l.c., p. 350) [Vol. I, pp. 276-77].

It is evident that the *sufficient price* has taken the place of the *natural price*. Ricardo regards them as identical, and rightly so.

[XII-631] Smith maintains that

the rent of coal mines is much smaller than that of agricultural products: here $^1/_3$; there [in coal mines] $^1/_5$ is a very great rent, and $^1/_{10}$ the common rent ([Garnier,] I, p. 351) [Vol. I, p. 277]. *Metal mines* are not so dependent on their situation, since their products are more easily transported and the world market is therefore more open to them. Their value, therefore, is more dependent on their fertility than on their situation, while with coal mines, the opposite is the case. The products of the most distant (from one another) metal mines compete with one another. "The price, therefore, of the coarse, and still more that of the precious metals, *at the most fertile mines* in the world, must necessarily more or less affect their price at every other in it" ([Garnier,] I, pp. 351-52) [Vol. I, p. 277].

"The price of every metal at every mine, therefore, being regulated in some measure by its price at the most fertile mine in the world that is actually wrought, *it can* at the greater part of mines *do very little more than pay the expense of working*, and can *seldom* afford a very high rent to the landlord. Rent, accordingly, seems at the greater part of mines to have but a small share in the price of the coarse, and a still

[a] See this volume, pp. 547-49.— *Ed.*

smaller in that of the precious metals. Labour and profit make up the greater part of both[a]" ([Garnier,] I, pp. 353-54) [Vol. I, pp. 278-79].

Adam Smith correctly sets forth here the CASE presented in *Table C.*[b]

When speaking of *rent* in connection with precious metals, Adam Smith again gives his interpretation of the sufficient price, which he puts in the place of the natural price. Where he speaks of non-AGRICULTURAL industry, he has no need for this, since the sufficient and the natural price coincide here, according to his original explanation, namely that it is the price which repays the capital outlay+the AVERAGE PROFIT.

"The lowest price at which the precious metals can be sold ... during any considerable time, is regulated by the same principles which fix the lowest ordinary price of all other goods. The stock which must commonly be employed, the food, clothes, and lodging which must commonly be consumed in bringing them from the mine to the market, determine it. It must at least be sufficient to replace that stock, with the ordinary profits" ([Garnier,] I, p. 359) [Vol. I, p. 283].

With regard to *precious stones*, he observes that:

"The *demand for the precious stones* arises altogether from their beauty. They are of no use, but as ornaments; and the merit of their beauty is *greatly enhanced by their scarcity, or by the difficulty and expense of getting them from the mine.* Wages and profit accordingly make up, upon most occasions, almost the whole of their high price. Rent comes in but for a very small share; frequently no share; and the most fertile mines only afford any considerable rent" ([Garnier,] I, p. 361) [Vol. I, p. 285].

There can only be a differential rent here.

"As the price both of the precious metals and of the precious stones is regulated all over the world by their price at the most fertile mine in it, the rent which a mine of either can afford to its proprietor is in proportion, not to its *absolute*, but to what may be called its *relative* fertility, or to its superiority over other mines of the same kind. If new mines were discovered as much superior to those of Potosi as they were superior to those of Europe, the value of silver might be so much degraded as to render even the mines of Potosi not worth the working" ([Garnier,] I, p. 362) [Vol. I, p. 286].

The products of the less fertile precious metal and precious stone mines carry no rent, because it is *always* the most fertile mine which determines market value and ever more fertile new mines are being opened up—the LINE is always in the ASCENDING direction. Hence they are sold *below* their value, merely at their cost price.

"A produce of which the value is principally derived from its scarcity, is necessarily degraded by its abundance" ([Garnier,] I, p. 363) [Vol. I, p. 286].

Then Adam Smith's argument again goes somewhat wrong.

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[a] Garnier has "of this price".—*Ed.*

[b] See the insertion between pages 479 and 480.—*Ed.*

"It is otherwise in estates above ground. The value both of their produce and of their rent is in proportion to their *absolute*, and not to their *relative* fertility. The land which produces a certain quantity of food, clothes, and lodging, can always feed, clothe, and lodge a certain number of people; and *whatever may be the proportion of the landlord*" (the very question is WHETHER HE TAKES ANY SHARE OF THE PRODUCE, AND IN WHAT PROPORTION) "it [XII-632] will always give him a proportionable command of the labour of those people, and of the commodities with which that labour can supply him" ([Garnier,] I, pp. 363-64) [Vol. I, p. 287].

"The value of the most barren lands is not diminished by the neighbourhood of the most fertile. On the contrary, it is generally increased by it. The great number of people maintained by the fertile lands *afford a market to many parts of the produce of the barren*, which they could never have found among those whom their own produce could maintain."

(But only if they do *not* PRODUCE *the same product* as the fertile lands in their NEIGHBOURHOOD; only if the product of the barren lands *does not compete* with that of the more fertile. In this case Adam Smith is right and indeed, this is of importance to the way in which the TOTAL AMOUNT OF RENT FROM DIFFERENT SORTS OF NATURAL PRODUCTS MAY INCREASE IN CONSEQUENCE OF THE FERTILITY OF THE SOILS WHICH YIELDS FOOD.)

"Whatever increases the fertility of land in producing food, increases not only the value of the lands upon which the improvement is bestowed" //it may reduce this value and even destroy it//, "but contributes likewise to increase that of many other lands, by creating a new demand for their produce" (or, *RATHER*, by creating a demand for *new* products) ([Garnier,] I, p. 364) [Vol. I, p. 287].

But in all this, Adam Smith does not offer any explanation for absolute rent, which he presupposes to exist for land that produces FOOD. He is correct when he observes that it does not necessarily exist for other lands, mines, for instance, because they are always available in such *relatively* UNLIMITED QUANTITIES (in comparison with demand), that landed property cannot offer any resistance to capital [so that] even if it exists in a legal sense, it does not exist in the economic sense.

(See. *p. 641* on *HOUSE RENT*.)[163]

Part III. "Of the Variations in the Proportion between the respective Values of that Sort of Produce which always affords Rent, and of that which sometimes does and sometimes does not afford Rent" (Book I, Vol. II, Ch. XI).

"In a country naturally fertile, but of which the far greater part is altogether uncultivated, cattle, poultry, game of all kinds, etc. *as they can be acquired with a very small quantity of labour, so they will purchase or command but a very small quantity*" ([Garnier,] II, p. 25) [Vol. I, p. 306].

The *peculiar* manner in which Adam Smith mixes up the measuring of value by the quantity of labour, with the price of labour or the quantity of labour which a commodity can command, is evident from the above quotation, and especially from the following passage, which also shows how it has come about that at times he elevates corn to the measure of value.

"In every state of society, in every stage of improvement, *corn is the production of human industry*. But the average produce of every sort of industry is always suited, more or less exactly, to the average consumption; the average supply to the average demand. In *every different stage of improvement*, besides, the raising of equal quantities of corn in the same soil and climate, *will*, at an average, *require nearly equal quantities of labour*; or what comes to the same thing, *the price of nearly equal quantities*; the continual increase of the productive powers of labour in an improving state of cultivation, being more or less counterbalanced by the *continually* increasing *price of cattle*, the *principal instruments* of agriculture. Upon all these accounts, therefore, we may rest assured, that *equal quantities of corn* will, *in every state of society*, in every stage of improvement, more *nearly represent*, or *be equivalent to, equal quantities of labour*, than equal quantities of any other part of the rude produce of land. Corn, accordingly, ... is, in all the different stages of wealth and improvement, a more accurate measure of value than any other commodity or set of commodities... *Corn*, besides, or whatever else is the common and favourite vegetable food of the people, constitutes, in every civilised country, the *principal part of the subsistence of the labourer*... The money price of labour, therefore, depends much more upon the average money price of corn, the subsistence of the labourer, than upon that of butcher's meat, or of any other part of the rude produce of land. The real value of gold and silver, therefore, the real quantity of labour which they can purchase or command, depends much more upon the quantity of corn which they can purchase or command, than upon that of butcher's meat, or any other part of the rude produce of land" ([Garnier,] II, pp. 26-28) [Vol. I, pp. 307-08].

When comparing the value of gold and silver, Adam Smith once more sets forth his views on the SUFFICIENT PRICE and notes [XII-633] expressly that *it excludes rent*:

"A commodity may be said to be *dear* or *cheap*, not only according to the absolute greatness or smallness of its usual price, but according as that price is more or less above the lowest for which it is possible to bring it to market for any considerable time together. *This lowest price is that which barely replaces, with a moderate profit, the stock which must be employed in bringing the commodity thither. It is the price which affords nothing to the landlord, of which rent makes not any component part, but which resolves itself altogether into wages and profit*" ([Garnier,] II, p. 81) [Vol. I, p. 350].

"The price of diamonds and other precious stones may, perhaps, be still nearer to the lowest price at which it is possible to bring them to market, than even the price of gold" ([Garnier,] II, p. 83) [Vol. I, p. 351].

There are 3 sorts of raw products ([Garnier,] II, p. 89) [Vol. I, p. 355]. The *first*, whose increase is almost, or entirely, independent of human industry; the *second*, which can be increased in proportion to the demand; the *third*, upon whose increase human industry only exercises a "limited or uncertain" influence.

First sort: Fishes, rare birds, different sorts of game, almost all wild-fowl, in particular the birds of passage, etc. The demand for these increases greatly with wealth and luxury.

"The quantity of such commodities, therefore, remaining the same, or nearly the same, while the competition to purchase them is continually increasing, their price may rise to any degree of extravagance" ([Garnier,] II, p. 91) [Vol. I, pp. 356-57].

Second sort: "It consists in those useful plants and animals which, in uncultivated countries, nature produces with such profuse abundance, that they are of little or no value, and which, as cultivation advances, are therefore forced to give place to some more profitable produce. During a long period in the progress of improvement, the quantity of these is continually diminishing, while at the same time the demand for them is continually increasing. Their real value, therefore, the real quantity of labour which they will purchase or command, gradually rises, till at last it gets so high as to render them as profitable a produce as anything else which human industry can raise upon the most fertile and best cultivated land. When it has got so high it cannot well go higher. If it did, more land and more industry would soon be employed to increase their quantity" ([Garnier,] II, pp. 94-95) [Vol. I, p. 359]. So, for instance, with cattle.

"Of all the different substances, however, which compose this second sort of rude produce, cattle is, perhaps, that of which the price, in the progress of improvement, first rises to this height" ([Garnier,] II, pp. 96-97) [Vol. I, p. 361]. "As cattle are among the first, so perhaps *venison* is among the last parts of this sort of rude produce which bring this price" //i.e., that price WHICH MAKES IT WORTH WHILE CULTIVATING the SOIL IN ORDER TO FEED THEM//. "The price of venison in Great Britain, how extravagant soever it may appear, is not near sufficient to compensate the expense of a deer park, as is well known to all those who have had any experience in the feeding of deer" ([Garnier,] II, p. 104) [Vol. I, pp. 366-67].

"Thus in every farm the offals of the barn and stables will maintain a certain number of *poultry*. These, as they are fed with what would otherwise be lost, are a mere save-all; and as they cost the farmer scarce anything, so he can afford to sell them for very little." While this supply is sufficient, poultry [is] as cheap as butcher's meat. With the growth of wealth, the demand grows, and consequently the price of poultry [rises] *above* that of butcher's meat, until "it becomes profitable to cultivate land for the sake of feeding them". Thus in *France*, etc. ([Garnier,] II, [p]p. [105-]106) [Vol. I, pp. 367, 368].

The *hog*, like poultry, is "originally kept as a save-all". It lives on refuse. In the end the price rises until land must be cultivated specifically for its FOOD ([Garnier,] II, pp. 108-09) [Vol. I, p. 369]. *Milk*, dairy farming ([Garnier,] II, p. 110 et seq.) [Vol. I, p. 371 et seq.]. (Butter, cheese ibid.)

According to Adam Smith, the gradual rise in the *price* of these raw products only proves that, little by little, they are becoming *products of human industry*, while previously, they were practically only *products of nature*. Their transformation from products of nature into products of industry is itself the result of the advance of cultivation, which is increasingly limiting the scope of the SPONTANEOUS PRODUCTIONS of nature. On the other hand, under less developed conditions of production, a large part of these products was sold *below its value*. The commodities are sold *at* their value (HENCE THE RISE IN PRICES) as soon as they cease to be a by-product and become an independent product of some branch of agriculture.

"The lands of no country, it is evident, can ever be completely cultivated and improved, till once the *price* of every produce, which human industry is obliged to raise upon them, has got so high as *to pay for the expense of complete improvement and cultivation.* In order to do this, the price of each particular produce must be sufficient, first, to pay the rent of good corn land, as it is that which regulates the rent of the greater part of other cultivated land; and, secondly, to pay the labour and expense of the farmer as well as they are commonly paid upon good corn land; or, in other words, *to replace with the ordinary profits the stock which he employs about it.* This *rise in the price* of each particular produce must evidently [XII-634] *be previous to* the improvement and cultivation of the land which is destined for raising it. ...those different sorts of rude produce ... *have become worth* not only a greater quantity of silver, but a greater quantity of labour and subsistence than before. As *it costs* a *greater quantity of labour and subsistence to bring them to market,* so *when they are brought thither,* they *represent* or *are equivalent to a greater quantity*" ([Garnier,] II, pp. 113-15) [Vol. I, pp. 373, 374].

Here it is once more evident, how Smith is only able to use value AS DETERMINED BY THE QUANTITY OF LABOUR IT [value] CAN BUY, in so far as he confuses it with VALUE AS DETERMINED BY THE QUANTITY OF LABOUR REQUIRED FOR THEIR PRODUCTION.

Third sort: This is the raw product,

"in which the efficacy of human industry, in augmenting the quantity, is either limited or uncertain" ([Garnier,] II, p. 115) [Vol. I, p. 374].

Wool and *raw hides* are LIMITED by the number of large and small cattle that are kept. But the first *by-products* already have a *large market,* while the animal itself does not yet have this. The market for butcher's meat is almost always confined to the inland market. Wool and raw hides, even in the rude beginnings [of cultivation], are in most cases already sold in foreign markets. They are easily transported and furnish the raw material of many manufactured goods. They may thus find a market in countries which are more developed industrially when the industry in the country where they are produced does not yet require them. [Garnier, Vol. II, pp. 116-17.] [Vol. I, pp. 375-76].

"In countries ill cultivated, and therefore but thinly inhabited, the price of the wool and the hide bears always a much greater proportion to that of the whole beast, than in countries where, improvement and population being further advanced, there is more demand for butcher's meat." The same applies to "tallow". In the progress of industry and population, the rise in price of cattle affects the *carcass* more than the *wool or hide.* For with the increase in industry and population of a country, the market for meat expands, whereas that for the by-products already previously extended beyond the boundaries of the country. But with the development of industry in the country itself, the price for wool, etc., will nevertheless also rise somewhat. ([Garnier,] II, pp. 115-19) [Vol. I, pp. 376-77].

Fish. ([Garnier,] II, pp. 129-30.) If the demand for fish rises, then its SUPPLY requires more labour. "The fish must generally be sought for at a greater distance, larger vessels must be employed, and more expensive machinery of every kind made use of." "it will generally be impossible to supply the extended market without employing a quantity of labour greater than in proportion to what had been requisite for supplying the narrow and confined one." "The *real price* of this commodity, therefore, naturally rises in the progress of improvement" ([Garnier,] II, p. 130) [Vol. I, pp. 385-86].

Here Adam Smith therefore determines the *real price* by the quantity of labour necessary for the production of the commodity.

According to Adam Smith, the *real price* of *vegetable food* (corn, etc.) must *fall* in the course of civilisation.

"The extension of improvement and cultivation, as it *necessarily* raises more or less, in proportion to the price of corn, *that of every sort of animal food*, so it as necessarily *lowers* that of, I believe, every sort of *vegetable food*. It raises the price of animal food; because a great part of the land which produces it, being rendered fit for producing corn, must afford to the landlord and farmer the rent and profit of corn-land. It *lowers the price of vegetable food*; because, *by increasing the fertility of the land*, it increases its abundance. The improvements of agriculture too introduce many sorts of vegetable food, which, requiring less land and not more labour than corn, come much cheaper to market. Such are potatoes and maize... Many sorts of vegetable food, besides, which in the rude state of agriculture are confined to the kitchen garden, and raised only by the spade, come in its improved state to be introduced into common fields, and to be raised by the plough; such as turnips, carrots, cabbages, etc." ([Garnier,] II, l. I, ch. XI, pp. 145-46) [Vol. I, pp. 396-97].

Adam Smith sees that the *price of manufactured commodities* in general has fallen wherever

"the real price of the *rude materials* either does not rise at all, or does not rise very much" ([Garnier,] II, p. 149) [Vol. I, p. 399].

On the other hand, he asserts that the real price of labour, i.e., wages, has risen with the progress in production. Hence also, according to him, the prices of commodities do not necessarily rise because of a rise in wages, or the price of labour, although wages [form] "a component part of the natural price" and EVEN of the "sufficient price" or the "lowest price at which commodities can be brought to market". So how does Adam Smith explain this? By a fall in profits? No. Or of rent? No again. (Although he assumes that the general rate of profit falls in the course of civilisation.) He says:

"In consequence of better machinery, [XII-635] of greater dexterity, and of a more proper division and distribution of work, all of which are the natural effects of improvement, *a much smaller quantity of labour becomes requisite* for executing *any particular piece of work*; and though, in consequence of the *flourishing circumstances* of the society, *the real price of labour should rise* very considerably, yet *the great diminution of the quantity, requisite for each particular article*,[a] will generally much more than compensate the greatest rise which can happen in the price" ([Garnier,] II, p. 148) [Vol. I, pp. 398-99].

Thus the *value* of the commodities falls, because a smaller quantity of labour is required to produce them; the value moreover falls although the *real price* of labour rises. If here the *real price* of labour means the *value* [of labour], then the profit

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[a] The words "requisite for each particular article" are inserted by Garnier in the French translation.— *Ed.*

must fall, if the price of the commodity falls as a result of the fall in its value. If, on the other hand, it means the quantity of the means of subsistence received by the worker, then the Smithian thesis is correct even where profit is rising.

The extent to which Adam Smith uses the correct definition of value, wherever he actually analyses [facts], can be seen at the end of the chapter where he examines why *woollen cloths* were dearer in the 16th century, etc.

"It *cost a greater quantity of labour to bring the goods to market.* When they were brought thither, therefore, they must have been purchased or exchanged for the *price* of a greater quantity" ([Garnier,] II, p. 156) [Vol. I, p. 404].

The mistake here consists only in the use of the word *price.*

Conclusion of the chapter. Adam Smith concludes his chapter on rent with the OBSERVATION that

"every improvement in the circumstances of the society tends either directly or indirectly to raise the real rent of land" ([Garnier,] II, pp. 157-58) [Vol. I, p. 406].[a]

"The extension of improvement and cultivation tends to raise it directly. The landlord's share of the produce necessarily increases with the increase of the produce" ([Garnier,] II, p. 158) [Vol. I, p. 406]. The rise "in the real price of those parts of the rude produce of land, which is first the effect of extended improvement and cultivation, and afterwards the cause of their being still further extended", for instance the rise in the price of cattle, raises, firstly, the real value of the landlord's share, but also the proportion of that share, because: "That produce, after the rise in its real price, *requires no more labour to collect it than before. A smaller proportion of it will,* therefore, be sufficient to *replace, with the ordinary profit, the stock which employs that labour.* A greater proportion of it must, consequently, belong to the landlord" ([Garnier,] II, pp. 158-59) [Vol. I, p. 406].

In exactly the same way Ricardo explains the increase in the proportion of rent, as the price of corn rises on the more fertile land. Only this rise in price is not the result of improvement, and therefore leads Ricardo to the opposite conclusion from Adam Smith. Adam Smith says that the landlord moreover benefits from every development of the productive power of labour in manufacture.

"Whatever reduces the real price of the latter,[b] raises that of the former[c]" ([Garnier,] II, p. 159) [Vol. I, p. 407]. Furthermore, with every increase of the real wealth of the society, the population increases; with the population increases the demand for AGRICULTURAL PRODUCE and consequently the CAPITAL EMPLOYED IN AGRICULTURE; "and the rent increases with the produce" ([Garnier,] l.c. [p. 160]) [Vol. I, p. 407]. On the other hand all circumstances which hinder the growth of general wealth, will have the opposite effect and lead to a fall in rent and hence a decrease in the real wealth of the landowner ([Garnier,] l. c., p. 160) [Vol. I, pp. 407-08].

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[a] Marx quotes this passage in German.—*Ed.*

[b] Manufactured goods.—*Ed.*

[c] Agricultural produce.—*Ed.*

From this Adam Smith concludes that the interests of the LANDLORDS are always in harmony with the "general interest of the society" ([Garnier,] II, p. 161) [Vol. I, p. 408]. This also applies to the *labourers* ([Garnier,] II, pp. 161-62) [Vol. I, p. 409]. But Adam Smith is honest enough to make the following distinction:

"The order of proprietors may, perhaps, gain more by the prosperity of the society than that of labourers; but there is no order that suffers so cruelly from its" [society's] "decline" [as do the labourers] ([Garnier,] l. c., p. 162) [Vol. I, p. 409].

The interests of the capitalists (manufacturers and merchants), on the other hand, are not identical with the

"general interest of society" ([Garnier,] l. c., p. 163) [Vol. I, p. 411]. "The interest of the dealers, however, in any particular branch of trade or manufactures, is *always* in some respects *different* from, and even *opposite* to, that of the public" ([Garnier,] II, pp. 164-65) [Vol. I, p. 411]. [The dealers are] "...an order of men, whose interest [XII-636] is never exactly the same with that of the public; who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it" ([Garnier,] II, p. 165) [Vol. I, p. 412].

Of his own conception of rent, *Ricardo* says:

*"I always consider it as the result of a *partial monopoly*, never really regulating price"*

(that is, never acting as a MONOPOLY, hence also never the RESULT of MONOPOLY. For him the only RESULT of MONOPOLY could be that the rent is pocketed by the OWNER of the better types of land rather than by the farmer),

*"but rather as the effect of it. If *all rent were relinquished by landlords*, I am [of] opinion that the commodities produced on the land would be no cheaper, because there is always a portion of the same commodities produced on land, for which *no rent* is or can be paid, as the *surplus produce* is only sufficient to pay the profits of stock" (Ricardo, *Principles*, l. c., pp. 332-33).*

Here SURPLUS PRODUCE=the EXCESS over the product absorbed by the wages. Assuming that CERTAIN LAND NEVER PAYS RENT Ricardo's assertion is only correct if this land, or RATHER its product, regulates the market value. If, on the other hand, its product pays no rent because the market value is regulated by the more fertile land, then this FACT proves nothing. It would, indeed, benefit the farmers if the differential rent were "RELINQUISHED BY LANDLORDS". The relinquishment of absolute rent, on the other hand, would reduce the price of agricultural products and increase that of industrial products to the extent that the average profit grew by this process.[164]

[ADDENDA]

[XI-490a] *"It will be observed that we consider the owner and farmer always as *one and the same person*.. Such it is in the United States" (H. C. Carey, *The Past, the Present, and the Future*, Philadelphia, 1848, p. 97). "Man is always going from a poor soil to a better, and then returning on his footsteps to the original poor one, and turning up the marl or the lime; and so on, in continued succession ... and at each step in this course, he is making a better machine[a]" ([p] p. [128-] 129). "Capital may be invested in agriculture with *more* advantage than in *engines*, because the last are *only of equal* whereas the other is of *superior* power"* (l.c.). "The GAIN from a STEAM-ENGINE" (which transforms the WOOL into CLOTH, etc.) *"is the wages of labour *minus* the loss by deterioration of the machine. Labour applied to fashioning the earth produces wages+the gain by improvement of the machine[a]" (l.c.)* Hence* "a piece of land that yields £100 per annum"* will sell dearer than A STEAM-ENGINE which produces just as much per annum (p. 130). *"The buyer of the first knows that it will pay him wages and interest+the increase of its value by use. The buyer of the other knows that it will give him wages and interest minus the diminution in its vlalue by use. The one buys a machine that improves by use. The other, one that deteriorates with use... The one is a machine upon which new capital and labour may be expended with constantly increasing return, while upon the other no such expenditure can be made"* (p. 131).[165]

Even those improvements in agriculture which bring about reduced production costs and eventually a fall in prices, but which first—so long as prices have not yet fallen—[call forth] a TEMPORARY RISE OF AGRICULTURAL *PROFIT*, almost never fail

*"to *increase rent ultimately*. The increased capital, which is employed in consequence of the opportunity of making great temporary profits, *can seldom or ever be entirely removed from the land, at the expiration of the current leases*; and, *on the renewal of these leases*, the landlord feels the benefit of it *in the increase of his rents*" (Malthus, *An Inquiry into the Nature and Progress of Rent etc.*, London, 1815).

"If, until the prevalence of the late high prices, arable land in general bore but *little rent*, chiefly by reason of the *acknowledged necessity of frequent fallows*; the rents

[a] The reference is to the land which has been worked and improved.—*Ed.*

must be again reduced, to admit of a return to the same system" (J. D. Hume, *Thoughts on the Corn-Laws etc.*, London, 1815, p. 72).*

[XII-inside cover]* "Mr. Ricardo's system is one of discords. ...its whole tends to the production of hostility among classes and nations. ... His book is the true manual of the demagogue, who seeks power by means of agrarianism, war, and plunder" (H. C. Carey, *The Past, the Present, and the Future,* Philadelphia, 1848, pp. 74-75).* 166

[XII-580b] The proposition THAT CORN PRODUCES ITS OWN DEMAND, etc.,[a] "casually" advanced by Adam Smith, later repeated by *Malthus* with considerable pomposity in his theory of rent and partly used as the basis of his theory of population, is very *concisely* expressed in the following passage:

*"Corn is scarce or not scarce in proportion to the consumption of it. If there are *more* mouths, there will be *more corn*, because there will be *more hands* to till the earth; and if there is *more corn*, there will be more mouths, because *plenty will* bring *people*" ([John Arbuthnot,] *An Inquiry into the Connection between the Present Price of Provisions, and the Size of Farms etc. By a Farmer*, London 1773, p. 125).*

Hence

"the culture of the earth cannot be over-done" (p. 62).

Rodbertus' fantasy that *seeds*, etc., do not enter as an ITEM of capital,[b] [is refuted] by the hundreds of treatises, some written by FARMERS themselves, that appeared in the 18th century (particularly since the 60s of that century). But on the contrary, it would be correct to say that *rent* is an ITEM [of expenditure] for the FARMER. He reckons rent among the *production costs* (and it does belong to his production costs).

*"If ... the *price of corn* is nearly what it ought to be, which can only be determined by the proportion that the *value of land* bears to the *value of money*"* (l.c., p. 132).

As soon as capital takes possession of agriculture, the FARMING CAPITALIST himself regards RENT only as a deduction from profit and the whole of SURPLUS VALUE is for him ESSENTIALLY PROFIT:

*"The *old* method of calculating the *profits* of the farmer [was] by the *three rents*"* (the *métayage* system). *"*In the infancy of agriculture*, it was a conscientious and equal partition of property; such as is now practised in the less enlightened parts of the world ... the one finds land and capital, the other knowledge and labour; but on a well-cultivated and good soil, the rent is now the least object: it is the *sum which a man can sink in stock*, and *in the annual expense of his labour*, on which he is to reckon the interest of his money, or income"* ([l.c.,] p. 34).

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[a] See this volume, p. 562 et seq.— *Ed.*

[b] Ibid., pp. 279-88.— *Ed.*

NOTES AND INDEXES

NOTES

[1] *Theories of Surplus Value,* on which Marx began work in March 1862, constituted the fifth, concluding section of the first chapter of his research into capital, "The Production Process of Capital". The original intention was to examine absolute and relative surplus value in their combination. *Theories of Surplus Value* was to be an historical survey included in the chapter on surplus value, similar to the historical notes introducing the chapters on commodity and on money in *A Contribution to the Critique of Political Economy.*

However, during the work, the character of the manuscript of *Theories of Surplus Value* had changed substantially. Both in its length and content, it surpassed the tasks the author had originally set himself. Marx not only considered the views of bourgeois economists but also put forward a number of major theoretical propositions.

Theories of Surplus Value were published in English for the first time, in an abridged form, in: K. Marx, *Theories of Surplus Value.* A selection from the volumes published between 1905 and 1910 as *Theorien über den Mehrwert,* edited by Karl Kautsky, taken from Karl Marx's preliminary manuscript for the projected fourth volume of *Capital.* Translated from the German by G. A. Bonner and Emile Burns. Lawrence & Wishart, London, 1951.

The work was first published in full between 1963 and 1971: K. Marx, *Theories of Surplus-Value* (Vol. IV of *Capital*), Part I, Foreign Languages Publishing House, Moscow, 1963; Part II, Progress Publishers, Moscow, 1968; Part III, Progress Publishers, Moscow, 1971.

This volume contains the sequel to Marx's *Theories of Surplus Value.* The first five notebooks of the Economic Manuscript of 1861-63 and the beginning of *Theories of Surplus Value* (Notebook VI and part of Notebook VII), in which Marx critically analyses the views of James Steuart, the Physiocrats, and Adam Smith's determinations of value, are to be found in Volume 30 of the present edition.—6

[2] The entries below were made by Marx on the inside covers of notebooks VIII-XII of the manuscript of 1861-63. The table of contents of Notebook VII is published in Volume 30, p. 347, and its text in Volume 30 and in this volume.

The tables of contents had been corrected several times. Marx's original plan was to analyse Adam Smith's doctrine in notebooks VII and VIII and then to pass on to Necker and Ricardo. But later he rejected this scheme. He also proposed to examine Ricardo's views in Notebook X, first after the analysis of Linguet and then of Bray. In the contents of Notebook XI, point "*g) Rodbertus*" was originally followed by point "*h) Ricardo*". Later Marx inserted several other points preceding that on Ricardo, probably after the notebooks had been filled in.

In Notebook XII, next to the line "5) *Theories of Surplus Value*", Marx wrote in pencil without the mark of insertion, "(CIRCULATING AND FIXED CAPITAL p. 643) in Ricardo". The last two points in the contents of this notebook were later crossed out in pencil and replaced with "*Theories of* COST PRICE".

The inside cover of Notebook IX has a note "Mercantilists (408)" made in pencil later.

Written on the inside cover of Notebook XI are a number of quotations (see this volume, pp. 579-80).

Alongside the contents, the inside cover of Notebook XII contains Marx's notes and quotations (see this volume, p. 580).—6

3 This is in fact not the conclusion but only the continuation of the section on Smith. The conclusion of this section can be found in Notebook IX.—6

4 Marx gave an in-depth analysis of the problem of productive and unproductive labour on pp. XXI—1317-1331 of the manuscript of 1861-63 (present edition, Vol. 34).—7

5 Marx is referring to the section of the manuscript of 1861-63 in Notebook VII entitled in the contents "Inquiry into how it is possible for the annual profit and wages..." (see present edition, Vol. 30, pp. 347, 411 et seq.).—7, 149

6 The *Economists* was the name given to the Physiocrats in France during the second half of the 18th and first half of the 19th centuries. By the 1850s the name acquired a more general meaning and ceased to designate exponents of a particular economic doctrine.—7, 116

7 Marx is referring to the vicious circle in Adam Smith's doctrine of the "natural price of wages", which he had discussed in the manuscript of 1861-63 (see present edition, Vol. 30, p. 401).—8

8 See this volume, pp. 389-400 and pp. XIII—711, XIV—818, 821-822, 840-841 of the manuscript of 1861-63 (present edition, Vol. 32).—8

9 Marx analyses the Physiocrats' views in Notebook VI of the manuscript of 1861-63 (see present edition, Vol. 30, pp. 354-55 and 358-61).—9

10 Marx examines the Mercantilists' views in Notebook VI of the manuscript of 1861-63 (see present edition, Vol. 30, pp. 348-52). See also this volume, pp. 33-35.—10, 38

11 The reference is to *Factories. Return to an Address of the Honourable the House of Commons, dated 24 April 1861.* Ordered by the House of Commons, to be printed, 11 February 1862. Marx analyses the facts contained in this document

on pp. XIX—1187-1198, 1215-1218 of the manuscript of 1861-63 (present edition, Vol. 33).—12, 96

12 Marx is referring to Malthus' remark that the differentiation between productive and unproductive labour is the cornerstone of Adam Smith's work and the basis on which the main line of his reasoning rests (T. R. Malthus, *Principles of Political Economy...*, 2nd ed., London, 1836, p. 44).—12

13 By its substance the text in double oblique lines belongs not to p. VII—300 but to p. VII—299 of the manuscript of 1861-63 (see present edition, Vol. 30, pp. 450-51).—13

14 Here Marx quotes from *Recherches sur la nature et les causes de la richesse des nations*, Paris, 1802, Garnier's translation of Adam Smith's work. Marx made excerpts from it in Paris in the spring of 1844. In the present volume all quotations from Garnier's translation are given according to the English edition (A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, by J. R. MacCulloch. In four volumes. Edinburgh, London, 1828), with the pages indicated in brackets, and Marx's wording respected. Marx widely used the 1828 edition when working on the manuscript of 1861-63.—18, 152, 162, 198, 239, 439

15 On bankers and their parasitical role in capitalist society, see K. Marx, *Capital*, Vol. III, chapters XXX-XXXIII (present edition, Vol. 37).—20

16 Marx discussed concentration of capital as a prerequisite for raising labour productivity in Notebook IV of the manuscript of 1861-63 (present edition, Vol. 30, pp. 294-96).—26

17 "*Laissez-faire, laissez-passer*" ("*laissez-faire, laissez-aller*")—the formula of economists who advocated Free Trade and non-interference by the state in economic relations.—26

18 In 1839 and 1843, the Société typographique Belge, Adolphe Wahlen et compagnie published two collections of economic works under the general title *Cours d'économie politique.* Both collections opened with J. A. Blanqui's *Histoire de l'économie politique en Europe...* Marx used the 1843 edition, which he had in his library and from which he quoted Rossi.—29

19 Marx is referring to Charles D'Avenant's work *Discourses on the Publick Revenues...*, Part II, London, 1698. Discourse IV deals with the defence of *An Essay on the East-India Trade.*

Marx's note on McCulloch refers to the latter's remark in his Introduction to Adam Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations*, Edinburgh, London, 1828, p. xli. McCulloch confused *An Essay on the East-India Trade* with D'Avenant's later work, *Considerations on the East-India Trade*, published in 1701.—33

20 This quotation is a free rendering of a passage from D'Avenant. What D'Avenant actually wrote was: "The lazy Temper (which is now grown inveterate Nature in the *Spaniards*) came undoubtedly upon them, with that Affluence of Money... And the Common People being the Stomach of the Body

Politick and that Stomach being thus weaken'd and not performing its due Functions, the Food, that had been plentifully thrown in, was not at all digested... Trade and Manufactures are the only Mediums by which such a digestion and distribution of Gold and Silver can be made, as will be Nutritive to the Body Politick."—34

21 It follows from the table of contents compiled by Marx for Notebook XIV of the manuscript of 1861-63 that John Stuart Mill's views were to be examined after those of Stirling (present edition, Vol. 32).—35

22 Further on Marx analyses the views of John Stuart Mill, a disciple of Ricardo. Cf. present edition, Vol. 32, p. XIV—851, where Marx writes that Mill in his work, *Essays on Some Unsettled Questions of Political Economy*, tried to derive "Ricardo's law of the *rate of profit* (in inverse proportion to wages) directly from the law of value without distinguishing between *surplus value* and *profit*".—36

23 Marx formulated this distinction in Notebook II of the manuscript of 1861-63 (see present edition, Vol. 30, pp. 162-63).

He took up this question again on pp. XIV—787-789 and XV—928 of the manuscript of 1861-63 (present edition, Vol. 32).—38

24 It follows from Mill's faulty reasoning quoted above (see pp. 40-41) that capitalist No. I who used constant capital and 60 workers, spent $^6/_9$ qr of corn to produce one qr of corn, the wages of one worker ($^{120}/_{180}={}^2/_3={}^6/_9$), while capitalist No. II, who did without constant capital and used 100 workers, spent only $^5/_9$ qr ($^{100}/_{180}={}^5/_9$) to produce one qr. In the case of capitalist No. II the "cost of production of wages" per worker is reduced by $^1/_9$ qr or, in other words, in the case of capitalist No. I, this "cost of production of wages" is one-fifth (20 per cent) higher than in that of capitalist No. II.—49

25 Marx analyses the impact of various factors on the dynamics of the rate of surplus value in Volume I of *Capital*, parts III and IV (present edition, Vol. 35), and the rate of profit in Volume III of *Capital*, Part I (present edition, Vol. 37).—55

26 See also present edition, Vol. 30, p. 443.—59, 114, 282

27 On Ricardo's concept of *real wages*, see pp. XII—653, 655, 661 and 665 of the manuscript of 1861-63 (present edition, Vol. 32).—62

28 Marx is referring tc the material contained in notebooks I-V of the manuscript of 1861-63 (present edition, Vol. 30).—69

29 Marx is referring to part three of his work, "Third Chapter. Capital in General". In the Draft Plan of the Chapter on Capital drawn up in 1860, this part is entitled "III. Capital and Profit" (see present edition, Vol. 29, p. 516). The beginning of this work is to be found on pp. XVI—973-1021 and XVII—1022-1028 of the manuscript (see present edition, Vol. 33).—70, 162, 282, 397

30 Here Marx formulates for the first time the basic idea of his theory of the *transformation of surplus value into average profit*, which turns the *value* of commodities into the *price of production* differing from it. This passage was

written in the spring of 1862 (see this volume, p. 64). See also present edition, Vol. 30, p. 400, where the term average price appears for the first time to denote the price of production, which differs from value. Marx elaborated the theory of average profit and the price of production in notebooks X and XI of the manuscript of 1861-63 (see this volume, pp. 260-64, 301-05, 400-39).—75

31 The *cottagers, cottiers*—a category of the rural population consisting of poor or landless peasants. In Ireland, the cottiers rented small plots of land and cottages from the landlords or real estate agents on extremely onerous terms. Their position resembled that of farmhands.—77, 453

32 See present edition, Vol. 32, pp. XIII—763, 767-769 of the manuscript of 1861-63.—78

33 This phrase has not been located in Rousseau's works.—78

34 The passages from W. Petty's book *A Treatise of Taxes and Contributions*..., London, 1679, are quoted from A. Smith, *An Inquiry*... By J. R. MacCulloch, Edinburgh, London, 1828. Introductory discourse (p. XXX). Taken from page 213 of Notebook VII of excerpts, which Marx compiled in London in 1859-62.—79

35 Up to this point, Marx used the letter *x* to designate the product considered as use value, and the letter *z*, the value of the product. From here onwards he uses *x* for value, and *z* for use value.—85

36 Marx uses the terms contained in a quotation from Adam Smith cited earlier in the manuscript (see present edition, Vol. 30, pp. 429-30). On the replacement of the part of constant capital which does not enter into circulation, see also Vol. 30, pp. 431-32, 444-45.—87, 147, 149

37 Marx is referring to Notebook VII of the manuscript of 1861-63 (see present edition, Vol. 30, p. 414 et seq.).—91

38 Marx cites this kind of data in Notebook V of the manuscript of 1861-63 (present edition, Vol. 30, p. 303).—96

39 Marx quotes in French N. F. Canard's definition of wealth from Charles Ganilh's book *Des systèmes d'économie politique*... (Vol. 1, Paris, 1821, p. 75).—97

40 Marx critically analyses Malthus' views on unproductive consumers on pp. XIV—772-773 of the manuscript of 1861-63 (present edition, Vol. 32). Cf. this volume, p. 179.—106

41 Marx analyses Smith's various determinations of value in notebooks VI-VII of the manuscript of 1861-63 (present edition, Vol. 30, pp. 377-78, 381-84, 402-08; cf. also Vol. 29, pp. 299-300).—106

42 Marx critically analyses Smith's tenet that rent enters into the composition of the price of the commodity in a different way from profit and wages, in Notebook XII of the manuscript of 1861-63 (this volume, pp. 552-61). The quotation from Adam Smith's *An Inquiry*... is in French and is borrowed from Ganilh's *Des systèmes d'économie politique*... (Vol. 2, Paris, 1821, p. 3). In the 1828 English edition of Smith's work it is to be found on p. 241 of Volume 1.—106

[43] Here Marx is quoting Petty in French according to Ganilh's *Des systèmes d'économie politique..* (Vol. 2, Paris, 1821, pp. 36-37). Ganilh's translation of the passage differs somewhat from the English original quoted by Marx in an abridged form on pp. XXII—1348-1349 of the manuscript of 1861-63 (see present edition, Vol. 34).—107

[44] This statement by Ganilh is to be found in the first volume of his work *Des systèmes d'économie politique...* (Paris, 1821), p. 213.

Ganilh's work *La théorie de l'économie politique...* was published in 1815, two years before Ricardo's *On the Principles of Political Economy, and Taxation.*—107

[45] Strictly speaking, on the assumption that the value of the machinery is four times as much as the rest of the capital, which amounts to £460 (150+310), it should come to £1,840. But this figure would have greatly complicated the calculations. To simplify them, Marx takes £1,600 as the value of the machinery.—109

[46] Marx quotes in French Say's note to Chapter 26 of Ricardo's *On the Principles of Political Economy, and Taxation* from Ganilh's *Des systèmes d'économie politique...* (Vol. 1, Paris, 1821, p. 216).—115

[47] Marx quotes Say in French according to Ganilh's *Des systèmes d'économie politique...*, Vol. 1, Paris, 1821, p. 220.—117

[48] Here and below Marx, unlike Ganilh, uses figures to designate numbers.—117

[49] Marx quotes Ricardo's *Principles* in French according to Ganilh's *Des systèmes...*, Vol. 1, Paris, 1821, pp. 213-15. Part of the quotation is paraphrased by Marx. Further on, he again quotes the same passage from Ricardo, now in a fuller form, borrowing it from the third English edition (see this volume, pp. 126, 127).—117

[50] *Vos, non vobis* (*sic vos non vobis*)—thus you labour, but not for yourselves—a phrase from Virgil's unsigned verses written in honour of Emperor Augustus: "Thus you, birds, build nests, but not for your own advantage, and also the sheep grow wool, the bees make honey, and the oxen support the ploughs; but none of them gain profit by their toil."—119

[51] Here Marx quotes from Chapter 26 of Ricardo's *Principles* first in F. S. Constancio's French translation (from Ganilh's *Des systèmes...*, Vol. 1, p. 214), and then in the original English, opening the passage with the words: "This passage runs like this (3rd ed., p. 416)".—119

[52] From here onwards, four-and-a-half pages, up to p. IX—377 of the manuscript, were crossed out in pencil (see this volume, pp. 119-26). They contain Marx's detailed analysis of the figures cited by Ricardo in the passage about "an individual with a capital of 20,000 *l*".—119

[53] Marx reproduces this quotation in a slightly abridged form on pp. XXI—1307-1308 of the manuscript of 1861-63 (present edition, Vol. 34).—127

54 Marx quotes in French Say's work *Traité d'économie politique...* from Ganilh's *Des systèmes...*, Paris, 1821.—129

55 Marx quotes Quesnay in French according to Ganilh's *Des systèmes...*, Vol. 1, Paris, 1821, pp. 274-75.—130

56 Marx examines Lauderdale's views on productive and unproductive labour on pp. 162-64, 193, 195 of this volume; Ferrier's, on pp. 151, 195; Storch's, on pp. 181-84, 194-95; Senior's, on pp. 184-89, and Rossi's, on pp. 189-95.—130

57 Here and below, by "consumable products" Marx means articles of consumption, products that enter into individual (personal) consumption, and by "unconsumable products", those entering into industrial (production) consumption.—131

58 Marx is referring to Say's *Lettres à M. Malthus...* (Paris, 1820, p. 15), in which the author advanced the opinion that the Italian market was flooded with English goods because of the insufficient production of Italian goods exchangeable for English ones. This reasoning is reproduced in an anonymous pamphlet *An Inquiry into those Principles...*, London, 1821, p. 15. See also this volume, pp. 164-66.—133

59 Marx takes the round figure 10 so as to simplify further calculations. From the figures cited in the text (110 years as the total of the turnover periods for 14 different kinds of fixed capital), the average turnover period of fixed capital would work out not at 10 but only at 7.86 years, assuming that all the 14 kinds are of the same magnitude. However, Marx points out below that the turnover period of fixed capital usually grows proportionately to its size.—142

60 Marx again discussed Th. Tooke's views on the issue on pp. XVII—1061-1063 of the manuscript of 1861-63 (present edition, Vol. 33).—150

61 Marx considers the question of the exchange of revenue for capital on pp. XIV—854-857 of the manuscript of 1861-63 (present edition, Vol. 32). Some of the questions relating to this intermezzo are considered by Marx on pp. XIII—694-732 of the manuscript, as well as in Notebook X (this volume, pp. 204-39). Accumulation as extended reproduction is examined on p. XVIII—1102 et seq. (present edition, Vol. 33).—151

62 Marx analyses this question in Notebook VI of the manuscript of 1861-63 (see present edition, Vol. 30, pp. 402-08).—152

63 See present edition, Vol. 30, pp. 400-02.—154

64 The reference is to the following passage: "The gold and silver money, which circulates in any country, and by means of which the produce of its land and labour is annually circulated and distributed to the proper consumers, is, in the same manner as the ready money of the dealer, all dead stock. It is a very valuable part of the capital of the country, which produces nothing to the country" (A. Smith, *Recherches...*, Vol. 2, Paris, 1802, p. 290). In McCulloch's edition (see Note 14) it is to be found in Volume II on pp. 77-78.—164

65 The above two sentences are Marx's rendering of Destutt's: "One can find certain expenses among these that are more or less fruitful, like, for example, the building of a house or the improvement of a landed property; but these are particular cases that put consumers of this kind momentarily back into the class of those who direct profitable enterprises and hire productive labour."—168

66 The *Institute of France* (l'Institut de France) is the country's most authoritative centre dealing with the arts and sciences. It comprises a number of leading academies, including the Académie Française. Destutt de Tracy was member of the Académie des sciences morales et politiques.—176

67 Having made a detailed analysis of Malthus' views on pp. XIV—777-781 and 810-814 of the manuscript Marx examines two anonymous works, one of which attacked Malthus from the Ricardian stand, while the other defended Malthus' views against the Ricardians. The first is entitled *An Inquiry into those Principles, Respecting the Nature of Demand and the Necessity of Consumption, lately advocated by Mr. Malthus...*, London, 1821. The second (written by John Cazenove) is entitled *Outlines of Political Economy...*, London, 1832 (see present edition, Vol. 32).—180

68 Marx quotes in French from William Paley's book *The Principles of Moral and Political Philosophy* according to Malthus' *Essai sur le principe de population...* Translated from the 5th English edition by P. Prévost and G. Prévost. 3rd enlarged French edition. Vol. 4, Paris, Geneva, 1836, p. 109.—181

69 Marx is referring to the polemic against Voltaire in Lessing's *Hamburgische Dramaturgie* (1767-69).—182

70 *Henriade*—Voltaire's poem about Henry IV, King of France; the first edition appeared in 1723.—183

71 In Rossi this sentence reads: "If Smith had reflected, he would not have said that the labour of a magistrate is, in truth, honourable, useful, necessary work, but that it is not productive."—190

72 On Adam Smith's hatred of the clergy, see *Capital*, Vol. I, Ch. XXV (see present edition, Vol. 35).—196

73 The quotation from Petty is to be found in *A Contribution to the Critique of Political Economy*, Part One (present edition, Vol. 29, p. 363), in the subsection "Hoarding". Marx also referred to this passage on p. 29 of this volume.—199

74 See A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Book II, Ch. III, the last six paragraphs. See also this volume, p. 178.—199

75 As is clear from the contents of notebooks VII and VIII of the manuscript of 1861-63 (see Note 2), Marx originally intended to consider Ricardo's views after those of Necker. But later he decided to proceed from an analysis of Necker's theory to a study of Linguet, a contemporary of the Physiocrats. Marx wrote down the section on Linguet in a separate notebook along with "*Digression. Tableau économique, according to Quesnay*", having interrupted the work on Notebook IX somewhere between pages 407 and 419 of the manuscript. Later this separate notebook was included in the manuscript of 1861-63 and became

Notebook X with the relevant pagination. Therefore, "some quotations from Linguet above" refer to those to be found in the separate notebook (see this volume, pp. 241-45).—200

76 Marx quotes Necker in French. On p. 181 of Notebook VII of excerpts, which Marx compiled in London in 1859-63, he probably wrote a synopsis of Necker's work published in Lausanne in 1786. The 1789 edition has not been found.—201

77 See Note 75. Here Marx uses the Tableau économique as given in Schmalz's book *Économie politique*. Translated from the German by Henri Jouffroy. Vol. 1, Paris, 1826, p. 329. All comments on the table are in French in the manuscript.

Marx uses the Tableau économique as it is presented by Quesnay in his *Analyse du tableau économique* in the supplementary notes on the Physiocrats on pp. XXIII—1433-1434 of the manuscript of 1861-63 (present edition, Vol. 34). He gives it in the same form in a letter to Engels of July 6, 1863 (see present edition, Vol. 41, pp. 485-87).

Marx analyses Quesnay's Tableau in Chapter X (written by him) of Part II of Engels' *Anti-Dühring* (see present edition, Vol. 25, pp. 211-43). See also *Capital*, Vol. II, Ch. XIX (present edition, Vol. 36).—204

78 See pp. XIV—795-796, 808 and XVIII—1092, 1136 of the manuscript of 1861-63 (present edition, vols 32 and 33).—212

79 Here Marx counterposes the labourer whose sole commodity is his labour capacity and the possessor of commodities in the first form, that is, the possessor of commodities who has for sale "commodities as distinct from labour capacity itself" (cf. pp. 22 and 26-27 of this volume).—213

80 Marx is referring to *A Contribution to the Critique of Political Economy*, Part One (see present edition, Vol. 29).—219

81 Marx is referring to the following passage in *A Contribution to the Critique of Political Economy*, Part One: "The money they [commodity owners] have spent as buyers returns to them when they once more become sellers of commodities. The perpetual renewal of commodity circulation is reflected in the fact that over the entire surface of bourgeois society money not only circulates from one person to another but that at the same time it describes a number of distinct small circuits, starting from an infinite variety of points and returning to the same points, in order to repeat the movement afresh" (see present edition, Vol. 29, pp. 335-36).—220

82 See this volume, pp. 167-78. The notes on Destutt de Tracy predate Marx's work on this passage in a separate notebook (see Note 75), which makes it possible to trace the progress of his work on the manuscript of 1861-63.—220, 238

83 Bray's ideas on the circulation of money between labourers and capitalists were not analysed in the relevant section of the manuscript; for their analysis see this volume, pp. 245-50.—220

84 In all probability, Marx has in mind Quesnay's concept of private property in land according to which the right of landowners to their land rests on the fact that their forebears made virgin lands suitable for cultivation. Marx described these Physiocratic views in Chapter X (written by him) of Part II of Engels' *Anti-Dühring* (see present edition, Vol. 25, pp. 236-37).—221

85 Marx made a comprehensive study of this problem in *Capital*, Vol. II, chapters XVII, XX (sections V and XII) and XXI (Section I, Subsection 1) (present edition, Vol. 36).—224, 239

86 Here Marx uses abbreviations for the three classes mentioned in Quesnay's Tableau économique.—225

87 Marx assumes here and below that, according to Quesnay, *only one-fifth* of the gross agricultural product does not enter into circulation but is used by the "productive class" *in natura.*

Marx returns to this point on pp. XXIII—1433-1434 of the manuscript (present edition, Vol. 34), as well as in Chapter X (written by him) of Part II of Engels' *Anti-Dühring* (present edition, Vol. 25, pp. 233-34). There he details his interpretation of Quesnay's views on the replacement of circulating capital in agriculture, whence it follows that, according to Quesnay, *two-fifths* of the farmers' gross product, used *in natura*, goes to replace their circulating capital.—228

88 Marx is referring to N. Baudeau's commentary *Explication du Tableau Économique...* in: *Physiocrates...* By E. Daire. Part II, Paris, 1846, pp. 822-67.—230

89 Instead of the livres of Tours running into the *thousands of millions* that figure in Quesnay's Tableau économique, Marx speaks of *thousands* of units of currency, which in no way alters the gist of the matter.—237

90 See present edition, Vol. 30, p. 353, and *Capital*, Vol. II, Ch. X (present edition, Vol. 36).—240

91 Proudhon writes on pp. 152-53 of his book: "How then does interest stipulated at 6 per cent become an interest of 160 per cent?"—240

92 On pp. XV—935-937 of the manuscript of 1861-63 (present edition, Vol. 32) Marx levels criticism against Proudhon's vulgar economic views on the role of money capital and the nature of interest developed in *Gratuité du crédit. Discussion entre M. Fr. Bastiat et M. Proudhon.* See also *Capital*, Vol. III, Ch. XXI (present edition, Vol. 37).—240

93 Marx proposed to examine the views of socialist and communist authors in a special work devoted to the "critique and history of political economy and socialism" (see his letter to Ferdinand Lassalle of February 22, 1858, present edition, Vol. 40, p. 270).—241

94 Marx is referring to the section "Opposition to the Economists (Based on the Ricardian Theory)", which is to be found on pp. XIV-XV—852-890 and XVIII—1084-1086 of the manuscript of 1861-63 (present edition. Vols 32 and 33). The unfinished section on Bray in Notebook X (this volume, pp. 245-50) and

the end of the section on Hodgskin in Notebook XVIII, pp. 1084-1086 (present edition, Vol. 33), also bear on this subject.—241

95 Marx is rendering the sense of Linguet's statement, which reads: "Their spirit [of the laws] is to sanctify property."—241

96 Marx is conveying the sense of Linguet's statement, which reads: "Property then must be prior to them [the laws]."—242

97 Cf. the manuscript of 1857-58 (present edition, Vol. 28, p. 229), where Marx quoted socialists as saying, "we need capital, but not the capitalist".—247

98 Marx is referring to *A Scheme of the Income and Expence of the Several Families of England, Calculated for the year, 1688* compiled by Gregory King, one of the first English statisticians, and included by Charles D'Avenant into his book *An Essay upon the Probable Methods of Making a People Gainers in the Balance of Trade* (London, 1699). See also this volume, pp. 32-33.—250

99 With an analysis of the theory of rent on p. X—445 of the manuscript of 1861-63, Marx begins the study of a new set of problems associated with the forms of surplus value. The key issue is Ricardo's economic doctrine.

According to the original table of contents drawn up for Notebook X, the unfinished section "*f) Bray*" was to be followed by the section "*g) Ricardo*" (see Note 2). However, Marx digressed from this plan and passed on to the new theory of rent advanced by Rodbertus.

He was prompted to do so by Lassalle's request, made in a letter of June 9, 1862, that he return Rodbertus' book on rent which Lassalle had lent him. A critical analysis of Rodbertus' erroneous views on rent was also a way of passing on to a study of Ricardo's theory, since the latter denied the existence of absolute rent and considered the correlation between value and the price of production basing himself on this assumption.—250

100 In this instance, by *raw materials* Marx understands objects of labour provided by nature.—256

101 In Notebook IV of his manuscript of 1861-63 (present edition, Vol. 30, p. 264 et seq.) Marx describes as *the first division of labour* the division of labour within society between producers of commodities who are independent of one another, and as *the second division of labour* the division of labour within a capitalist enterprise, in particular, within a manufactory's workshop. Cf. *Capital*, Vol. I, Ch. XIV, Sect. 4 (present edition, Vol. 35).—258

102 The $16^2/_3\%$ which the peasant receives are calculated on total production costs.—259

103 The term "*average price*" (Durchschnittspreis) is used here by Marx in the sense of price of production, i.e. the production costs ($c+v$) plus average profit. The very term "average price" shows that here the reference is to the "average market price over a long period, or the central point towards which the market price gravitates", as Marx goes on to explain (this volume, p. 530). Marx first uses this term in Notebook VI of the manuscript of 1861-63 (see present edition, Vol. 30, p. 400).—262

[104] On the difference between period of production and labour time in agriculture, see the manuscript of 1857-58 (present edition, Vol. 29, pp. 58-60). See also *Capital*, Vol. II, Ch. XIII (present edition, Vol. 36).—262, 405

[105] Marx describes capitalists as "hostile brothers" at the end of Chapter X of Volume III of *Capital* (present edition, Vol. 37).—264

[106] Examining capital in his manuscript of 1861-63, Marx based himself on the plan he had evolved when preparing the manuscript of 1857-58. A special study of competition was to make up the second section of the book *On Capital* (see present edition, Vol. 40, p. 298).

Later, when working on the manuscript of the third volume of *Capital* (chapters VIII-XII), Marx decided that some of the questions associated with competition should be considered in the section dealing with average profit and price of production (see present edition, Vol. 37).—264

[107] Marx discusses Buchanan's concept of the monopoly price of agricultural products below (see this volume, p. 387) and on p. XII—644 of the manuscript of 1861-63 (present edition, Vol. 32).

Marx's analysis of Hopkins' views on rent is to be found in this volume, pp. 366-68.—268

[108] By the radical bourgeois Marx meant James Mill, John Stuart Mill, Antoine Cherbuliez and others. See present edition, Vol. 6, p. 203; Vol. 4, pp. 286-87; Vol. 30, pp. 361 and 373; this volume, p. 379.—278

[109] In the manuscript there follows a passage dealing with a cotton-grower, a spinner and a weaver. From the profit which each of them receives individually, Marx passes on to the size of the profit made when the weaver is assumed to be also the cotton-grower and the spinner. However, Marx was not satisfied with what he had written. He broke off the passage, deleted it and proceeded with a clearer exposition of his ideas.—282

[110] Marx is referring to Notebook XII of excerpts compiled in London in 1851. The excerpt from Thomas Hopkins' *Economical Enquiries Relative to the Laws which Regulate Rent, Profit, Wages, and the Value of Money* (London, 1822) is to be found on p. 14 of the notebook. Later, he wrote down the passage again on the cover of Notebook XIII of his manuscript of 1861-63 (see present edition, Vol. 32, Addenda).—289

[111] See T. R. Malthus, *Principles of Political Economy...*, 2nd ed., London, 1836, p. 268, and also Marx's manuscript of 1861-63, pp. XIII—765-766 (present edition, Vol. 32).—303

[112] Here Marx speaks about the doubling of the harvest, while the calculations imply that it has quadrupled.—310

[113] This passage from Rodbertus is quoted by Marx with the "necessary changes" arising from the fact, overlooked by Rodbertus, that the value of the machinery and other means of production necessarily enters into the value of the product of agriculture in just the same way as the value of agricultural raw materials enters into the product of manufacturing industry. Earlier in the manuscript, Marx quoted this passage in the way it was worded by Rodbertus (see this

volume, pp. 291, 292). The term "machine value" (Maschinenwert) is coined by Marx, not without irony, by analogy with Rodbertus' "value of the material" (Materialwert). All words belonging to Marx are interspaced.—315

114 Marx is referring here to Buchanan, Sismondi, Hopkins, Jones and others. See p. XVIII—1123 of the manuscript of 1861-63 (present edition, Vol. 33).—327

115 Marx uses the specified method of calculating the total amount of rent later, in the section marked in the contents of Notebook XI as "*Table, with elucidation, of differential rent*". See this volume, p. 470 et seq.—329

116 See H. Storch, *Cours d'économie politique...*, Vol. 2, St. Petersburg, 1815, pp. 78-79. Marx also discusses this view of Storch's in *Capital*, Vol. III, chapters X and XXXIX (present edition, Vol. 37).—331, 507

117 Further on Marx does not always consistently adhere to this statement. This, however, changes nothing in the line of his argument.—331

118 The pages preceding and following this passage show that Marx probably mixed up value and average price, since if newly cultivated land I' is less fertile than land I, its average price is above the value of the product of land I. As land can be brought into cultivation only if it yields at least average profit, the price of the product should be above the value of land I, i.e. higher than 6s. 8d.—333

119 Marx wrote that on the question of the market value of agricultural products Ricardo and Storch were both right and wrong since "both of them have failed to consider the average case". See *Capital*, Vol. III, Ch. X, Note 30 (present edition, Vol. 37).—334

120 Here Marx disregards the profit accruing to the agricultural capital laid out in classes I, II, III and IV. If the £100 capital laid out in I produces 330 bushels at 6s. 8d. per bushel, the value of the total product of I amounts to £110, of this £10 falls to rent and, consequently, there is no profit. The same applies to the value of the total product of the four classes with an outlay of £100 in each, which comes to £500, consisting of £400 to replace the capital outlay, and £100, the total rent of classes I, II, III and IV, that is, £10+£20+£30+£40.—339

121 A rise in the *level* (rate) of rent as a result of the emergence of differential rents paid by capitals used on more fertile soil is "only apparent" in the sense that it is based on "false social value", which Marx discusses in greater detail in *Capital*, Vol. III, Ch. XXXIX (see present edition, Vol. 37). As Marx explains below, a capitalist leasing more fertile land sells his product at the price of the product yielded by less fertile land, "as though he still required the same capital as before in order to produce the same quantity of product" (this volume, p. 340).—339

122 Marx probably uses the figures 90, 80 and 70 as the difference between the capitals invested in classes II, III and IV, on the one hand, and the differential rents yielded by them, on the other (in class II, £100 of the capital yields £10 of differential rent, in class III—£20, and in class IV—£30). If one makes exact calculations proceeding from the fact that the product of class II equals

360 bushels, of class III—390 bushels, and of class IV—420 bushels, the figures will be as follows: £91 2/3, £84 8/13, and £78 4/7.—339

123 Marx is referring to the book by Joseph Townsend, *A Dissertation on the Poor Laws* (London, 1786), which he quotes in Notebook III of his manuscript of 1861-63 (present edition, Vol. 30, p. 205) in the section "2) Absolute Surplus Value". The three passages quoted by Marx can also be found in *Capital*, Vol. I, Ch. XXV, Sect. 4 (see present edition, Vol. 35).—345

124 An allusion to the Corn Law of 1815 which prohibited the import of corn into Britain for as long as the price of corn in the country remained below 80s. per quarter.—349

125 A reference to the Leipzig University Professor Roscher, a vulgar economist.—350

126 See *A Dissertation on the Poor Laws* (London, 1786), by Joseph Townsend, and also Notebook VII of the manuscript of 1857-58 (present edition, Vol. 29, pp. 221-22) and James Steuart, *An Inquiry into the Principles of Political Oeconomy...*, in three volumes, Dublin, 1770.—350

127 Marx ironically calls Roscher by the name of the major Greek historian Thucydides since, as he wrote on p. XV—922 of the manuscript of 1861-63 (present edition, Vol. 32), "Professor Roscher ... modestly proclaimed himself to be the Thucydides of political economy". Roscher's presumptuous reference to Thucydides can be found in the preface to the first edition of his *Die Grundlagen der Nationalökonomie...*, Stuttgart and Tübingen, 1854.—352

128 In conformity with Marx's instructions, the passage below, on pp. XI—501-02, has been placed at the end of p. 500 of the manuscript.—353

129 By its substance this sentence belongs to pp. 352-53 of this volume.
Marx is referring to Edward West's *Essay on the Application of Capital to Land, with Observations Shewing the Impolicy of Any Great Restriction of the Importation of Corn...* and David Ricardo's *An Essay on the Influence of a Low Price of Corn on the Profits of Stock; Shewing the Inexpediency of Restrictions on Importation...*, both published in London in 1815.—356

130 Marx did not return to the analysis of these views of Roscher's in the manuscript of 1861-63. He touched on Roscher's view of nature as a source of value in *Capital*, Vol. I, Ch. VIII, note (see present edition, Vol. 35). See also *Capital*, Vol. III, Ch. XLVIII (present edition, Vol. 37).—361

131 Marx is paraphrasing a passage from Hopkins which reads: "The great source of error in Mr. Ricardo's theory of rent, seems to be the confounding together of the *relative* rents of lands, of different degrees of fertility, with the general average rate of rent.
"The principle of competition, which renders it impossible that there should be two rates of profit in the same country, the very basis upon which his theory of rent is founded; can and does constantly determine all lands to be let, at their proper *relative* rents."—365

[132] Marx writes at greater length about enclosures in England in *Capital*, Vol. I, Ch. XXVII (see present edition, Vol. 35).—370

[133] James Anderson quotes here from *Ricardo d'Agricoltura* by Camillo Tarello da Lonato (16th cent.). Anderson refers to the first edition, which appeared in Mantua in 1567, but quotes from its French translation published by the Société économique in Berne.—372

[134] Cf. the corresponding passage in Anderson: "I wish to employ such a diversity of illustrations as may seem best calculated to operate upon the perceptions of men who are under the influence of those multitudinous prejudices which prevail among us at the present day. No one of these prejudices appears to me to be of more pernicious tendency, than that which supposes that an increased population must naturally tend to produce a scarcity of provisions in every country..."—372

[135] By *fertility of land* Marx understands the sum total of rent yielded by this land.—376

[136] In *Capital*, Vol. I, Ch. XXVII, Marx writes that between 1801 and 1831, 3,511,770 acres of common land were stolen from the English agricultural population "and by parliamentary devices presented to the landlords by the landlords" (see present edition, Vol. 35).—383

[137] See Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*; with Notes and an Additional Volume by David Buchanan. In three volumes. Vol. II, Edinburgh, London, 1814, p. 55, note.—387

[138] In Ricardo's book, Marx classifies as chapters on taxes, apart from the twelve chapters (VIII-XVIII and XXIX) dealing with taxes proper, also chapters XXII ("Bounties on Exportation and Prohibitions of Importation") and XXIII ("On Bounties on Production"), which likewise touch upon taxation; under Ricardo's theory, bounties are paid from a fund which is made up of various taxes on the population.—392

[139] The term "*cost price*" (Kostenpreis or Kostpreis) is used by Marx in three different ways, in the sense of 1) the cost of production for the capitalist ($c+v$); 2) the "immanent cost of production" of the commodity ($c+v+s$), which is identical with the value of the commodity, and 3) the price of production ($c+v$+average profit). In this passage as elsewhere in notebooks X-XIII of the manuscript (see this volume and present edition, Vol. 32), the term "cost price" is used in the sense of the price of production or average price. Marx writes in particular: "... the price which is required for the supply of the commodity, the price which is required for it to come into existence at all, to appear as a commodity on the market, is of course its *price of production* or *cost price*" (see this volume, p. 559).

In notebooks XIV-XV of the manuscript (see present edition, vols 32 and 33). Marx uses "Kostenpreis" to mean the price of production or, alternatively, the production costs for the capitalist.

The threefold use of the term stems from the fact that in political economy the term "Kosten" had three meanings, as was noted by Marx on pp. XIV—788-790 and XV—928 of the manuscript of 1861-63 (see present edition, Vol. 32).

In addition to the three meanings occurring in the works of classical bourgeois political economists, the term "cost price" has a fourth, vulgar meaning, in which it was used by J. B. Say, who defined the cost price as that which is paid for the productive services of labour, capital and land. Marx rejected this vulgar interpretation (see this volume, pp. 361-62 and pp. XIII—693-694 of the manuscript, present edition, Vol. 32).—402

140 The average profit amounts to $20^5/_{26}\%$ when the capitals laid out by the farmer and the manufacturer are the same. But if we take into consideration the difference in the size of the capitals laid out (£800 by the farmer and £1,300 by the manufacturer, £2,100 in all), then, since the aggregate profit of both equals £400, the average profit is $\frac{400\times100}{2,100}=19^1/_{21}\%$.—412

141 The British *quarter* (a grain measure equalling 290.8 litres) contains 8 *bushels*.—426

142 By the "numerical ratio or the proportional size of the categories" Marx understands here the mass of products which each of these categories of manufacturers brings on to the market.—429

143 "(See Corbet)" was pencilled in by Marx. Here he is referring to Thomas Corbet's book *An Inquiry into the Causes and Modes of the Wealth of Individuals...* published in London in 1841, where Corbet states that in industry prices are regulated by the commodities produced under the most favourable conditions, and, in his opinion, these commodities constitute the bulk of all commodities of any given type (see pp. 42-44 of Corbet's book).—429

144 See J. B. Say, *Traité d'économie politique...*, 2nd ed., Vol. 2, Paris, 1814, p. 26, and pp. XIII—693-694 of the manuscript of 1861-63 (present edition, Vol. 32).—439

145 Smith assumes here that 10 per cent is the average rate of profit.—442

146 The reference is to James Steuart's book *An Inquiry into the Principles of Political Oeconomy...*, Vol. I, Dublin, 1770. It describes the process of transition from the predominantly natural economy of the English countryside to capitalist commodity production, which was accompanied by the transformation of agriculture into a branch of capitalist enterprise, the intensification of labour in agriculture and the expropriation of the rural population. The phrase "time becomes precious" can be found on p. 171 of Steuart's book. Marx also quotes it, alongside other passages, in his manuscript of 1857-58 (see present edition, Vol. 29, p. 234).—453

147 For the fluctuation of corn prices see the tables between pages 40 and 41 of James Anderson's book *A Calm Investigation of the Circumstances...*, London, 1801.—457

148 Besides Ricardo, Marx means Smith and Wakefield. See also *Capital*, Vol. I, Ch. XXXIII (present edition, Vol. 35).—460

149 The idea that the total rent (the absolute rent and the differential rent taken together) equals the difference between the market value and the cost price is examined by Marx in greater detail later (see this volume, p. 508).—475

150 Earlier examples cited by Marx referred not to agriculture but to the exploitation of coal mines of varying productivity. However, what has been said about the mines is applicable to the cultivation of lands of varying fertility.—477

151 *Differential value*, as Marx explains further on (see this volume, p. 486), is the difference between market value and individual value. Differential value is calculated per unit of product, while the differential rent is worked out for the aggregate product in the given class. If the market value of a unit of product is greater than its individual value, the difference is a positive magnitude. If, however, the market value is smaller than the individual value, this difference is a negative magnitude.

In the case of negative magnitudes (Table C, p. 479 of this volume) fertility is so low that, given the existing market value, the lands in this class not only fail to yield any differential rent but even the absolute rent drops substantially below its normal size.

In the summary table placed between pp. 480 and 481 of this volume, Marx expresses the phenomenon of negative differential rent through negative differential value, and in these cases he simply writes nought in the column "Differential rent" thus indicating the absence of *positive* differential rent (where, in a number of cases, *negative* differential rent correspondingly reduces absolute rent, this is shown in the column "Absolute rent"). The transfer of the negative magnitudes into the column representing differential value obviates the difficulty which arose in Table C when it was necessary to add up the differential rents of the different classes. Only the positive differential rents entered into the addition, while the negative magnitude "$-£9^3/_{13}$" was simply regarded as zero to avoid duplication. That is why, to calculate negative differential rents, Marx included in his summary table a special column, "Differential value per ton", which contains the negative differential values as well.—480

152 Further on, on p. XI—573 of the manuscript, Marx sets out tables A, B, C and D, including in each of them all the categories just enumerated. On the next page of the manuscript, all the data of the tables A, B, C and D are set out again in a more orderly fashion, and the corresponding data of Table E are appended. This makes up a uniform summary table to be found between pp. 480 and 481 of this volume. Since the scheme drawn up by Marx on p. XI—573 of the manuscript operates with the data that have been incorporated into the summary table *in toto*, it is not reproduced in the volume.—480

153 When working on the manuscript of 1861-63 Marx drew on the plan of his economic work evolved when preparing the manuscript of 1857-58. It envisaged that the second book was to be totally devoted to a study of landed property (see present edition, Vol. 29, p. 261).

Later, when working on Volume III of *Capital*, Marx found it expedient to expound his theory of rent there (see present edition, Vol. 37).—487

154 In the example given by Marx the product whose production depends on landed property enters in equal proportions into both component parts of the capital advanced. Marx assumes that, regardless of the increase in constant capital (88*c* instead of 80*c* due to the increased price of the raw material) and variable capital (22*v* instead of 20*v* due to the increased price of the workers' means of consumption), the value of the aggregate product is still 120 (in another example, considered on pp. 496-504 of this volume, Marx proceeds

from a change in value). The maintenance of the former market value of the aggregate product is only possible if the surplus value appropriated by the capitalist has gone down from 20 to 10. Such a reduction is due to an increase of the differential rent by 10 points on the more productive patches of land when the less productive patches began to be exploited. In this way the newly created value, which continues to be 40 (since the same method of production is employed), is redistributed in the following way: 10 points now form the surplus value which falls to the capitalist, 20 points are used to replace variable capital, and 10 points serve to increase the differential rent, an increase caused by the rise in the value of constant capital (by 8 points) and variable capital (by 2 points).

Below, on pp. XIII—684-686 of the manuscript (present edition, Vol. 32), Marx considers a similar case.—494

155 Here Marx uses the term "production costs" (Produktionskosten) in the sense of cost price, price of production. See also Note 139.—507

156 See E. G. Wakefield, *England and America. A Comparison of the Social and Political State of Both Nations*, London, 1833.

Marx makes a thorough analysis of Wakefield's theory of colonisation in *Capital*, Vol. I, Ch. XXXIII (present edition, Vol. 35).—515

157 By the *market cost price* Marx understands the general cost price which regulates the market prices of commodities in a particular sphere of production. Cf. pp. 355-56 of this volume, where Marx uses the terms "*general* average price" and "*average market price*" to designate the same concept.—531

158 By *absolute rent* here and on p. 537 Marx means the rate of absolute rent.—Table between pp. 536 and 537

159 Here Marx uses for the first time the term "price of production" (Produktionspreis), which is henceforth identified with the term "cost price" (see Note 139).—543

160 Marx mistakenly marked two successive pages with the same number.—548

161 Ricardo calls rent "a creation of value" in the sense that it enables the landowners to pocket the increment in the value of the total social product which, according to Ricardo, results from the increased difficulty of producing part of the corn. In Chapter XXXII of his *Principles* Ricardo criticises Malthus' proposition that rent is "a clear gain and a new creation of riches", stating that rent does not increase the wealth of society as a whole but merely transfers "a portion of the value of the corn and commodities from their former possessors to the landlords". Cf. also p. XIII—733 of the manuscript (present edition, Vol. 32).—550

162 Marx is referring to the thesis advanced by Rodbertus that the value of raw materials does not enter into the production costs of agricultural products. See this volume, pp. 279-88 and 580.—551

163 The words in brackets were written in by Marx after he had completed the section dealing with Smith's views on house rent (see p. XII—641 of the manuscript, present edition, Vol. 32).—572

[164] This passage, which Marx separated with a line from the rest of the text, complements his analysis of Ricardo's theory of rent and, by its substance, belongs to p. XII—605 of the manuscript (this volume, p. 529).—578

[165] This passage was written down on the inside cover of Notebook XI of the manuscript. The next three paragraphs were written not earlier than May 1863, since it was at that time that Marx copied out passages from Malthus and Hume in his notebooks of excerpts.—579

[166] This quotation can be found verbatim on p. 392 of this volume.
The rest of the text on this page was written not earlier than May 1863, since it was at that time that Marx copied out passages from Arbuthnot's book in his notebooks of excerpts.—580

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