

MARXIST STUDY COURSES

Course

**POLITICAL
ECONOMY**

Contents

Capital and Surplus Value

- I. Capital and Surplus Value.
- II. Criticism of the idea "Value of Labour," and of the bourgeois and social-democratic conceptions of the economic relations between the proletariat and the bourgeoisie.
- III. Constant and Variable Capital.
- IV. Capital and Surplus Value as historical categories.

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Marxist Study Courses

Course 1

POLITICAL ECONOMY

LESSON II
CAPITAL AND SURPLUS VALUE



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CONTENTS

SECOND LESSON : CAPITAL AND SURPLUS VALUE

PART II

	Page
INTRODUCTION - - - - -	5
I. CAPITAL AND SURPLUS VALUE - - -	9
1. Transformation of Money into Capital -	10
2. Production of surplus value - - -	13
II. CRITICISM OF THE IDEA—"VALUE OF LABOUR" AND THE CONNECTED BOURGEOIS AND SOCIAL- DEMOCRATIC CONCEPTIONS OF THE ECONOMIC RELATIONS BETWEEN THE PROLETARIAT AND BOURGEOISIE - - - - -	22
1. The inner senselessness and the social sense of the idea "value of labour" - - -	23
2. The so-called theory of the three "factors of production" - - - - -	26
3. "Value of labour" and petty-bourgeois Socialism - - - - -	30
III. CONSTANT AND VARIABLE CAPITAL - -	33
IV. CAPITAL AND SURPLUS VALUE AS HISTORICAL CATEGORIES - - - - -	41



LESSON II

CAPITAL AND SURPLUS VALUE

INTRODUCTION

IN the previous lesson we expounded the fundamental contradictions of the capitalist mode of production. We showed the contradiction between the social character of labour and private appropriation and the consequent antagonisms arising : (1) between the proletariat and the bourgeoisie ; (2) between the organisation of work in individual enterprises, and the anarchy of production in society as a whole. We have also shown that value is the general form in which the productive relations appear in a commodity-producing society.

But this general form, the commodity and value form of the product, is common to the capitalist mode of production and non-capitalist commodity production, the mediæval town commodity production, based upon handicraft in small workshops (so-called " simple commodity production "). As the reader may, perhaps, have noticed, what we had in view when expounding value was the value form and its development in a commodity society, irrespective of its capitalist or non-capitalist character. It must be clear from the outset, that it is only in developed, i.e. in capitalist commodity production, that commodities and the value form of the product and thereby also the law of value become the general foundation of production ; for, while commodity production had not yet become the ruling form of production in the Middle Ages, it predominates under capitalism and transforms all other forms of production.

Although the analysis of commodities and value given by us in Lesson I, is not an *exhaustive* analysis of capitalism, it is yet the most important starting-point for such an analysis ; firstly, because value under

capitalism is the *general* form of the productive relations (for surplus value really means "more value"); and secondly, as Engels said, "The seed of the whole capitalist form of production" is contained "in the value form of the product. . . ." Once social production has become transformed into commodity production, it must of necessity evolve further into the capitalist mode of production :

"When a commodity-producing society has developed to the money form, the value form inherent in commodities as such, various possibilities, previously hidden in value, are realised. The first and most important effect is that the commodity form becomes general. Money forces the value form upon objects which hitherto were produced for direct personal use and drives them into exchange. The value form and money then penetrate into the inner economy of the community based on social production, breaking one social tie after another, and dissolving the community into a crowd of private producers. At first, as may be seen in India, money replaces communal agriculture by individual cultivation of the soil; later it puts an end to the regular redistribution of communal lands, and making ownership final (e.g., the Moselle estates, also the process which is beginning in the Russian peasant communities); finally it forces the division of the remaining communal forest and woodlands. Whatever other causes arising from the development of production may assist in the process, money is always the most powerful means for influencing the community." (Engels' *Anti-Duhring*, p. 337, German Edition.)

The development of the simple exchange of commodities involves the possibility of turning labour-power into a commodity, i.e. wage-labour. If it is possible to buy means of subsistence on the market, then it follows that it is *also* possible that the money necessary for the purchase may be obtained, not through one's own production of commodities and their sale to others, but through the sale of one's own labour-power. Historical development transforms this possibility into a necessity. The extension of the foreign and home markets requires an extension of production for which the production of commodities based upon handicraft

and small scale production is insufficient. Merchant-capital proceeds from buying up the product of small individual commodity producers to the establishment of its own enterprises worked by wage labourers, which crush out of existence the small "independent" producers. The development of the productive forces of society, which has caused the transition of simple commodity production to capitalism, impels the further development of industrial capitalism from manufacture (i.e., capitalist production based upon handwork) to machine-factory industry and still further from industrial capitalism to monopoly capitalism and imperialism, which is the eve of the proletarian revolution.

The transition from simple commodity production to capitalist production is not, however, an idyllic process in which the simple commodity producer grows into the capitalist employer. This transition is much more a process of the expropriation of the direct producer: a violent process of his proletarianisation.

The bourgeois economists try to distort the real course of this process. The origin of capitalism, says Marx,

"Is supposed to be explained when it is told as an anecdote of the past. In times long gone by there were two sorts of people; one, the diligent, intelligent, and, above all, frugal *élite*; the other, lazy rascals, spending their substance, and more, in riotous living. Thus it came to pass that the former sort accumulated wealth, and the latter sort had at last nothing to sell except their own skins. And from this original sin dates the poverty of the great majority that, despite all its labour, has up to now nothing to sell but itself, and the wealth of the few that increases constantly although they have long ceased to work." (Marx, *Capital*, Vol. i, pp. 736-7, part 8, American Edition, pp. 784-5.)

As against this Marx shows the process of the rise of capitalism in the following words:

"In themselves, money and commodities are no more capital than are the means of production and of subsistence. They require transforming into capital. But this transformation itself can only take place under certain circum-

stances that centre on this, viz. that two very different kinds of commodity-possession must come face to face and into contact ; on the one hand, the owners of money, means of production, means of subsistence, who are eager to increase the sum of values they possess by buying other people's labour power ; on the other hand, free labourers, the sellers of their own labour-power, and therefore the sellers of labour. Free labourers, in the double sense that neither they themselves form part and parcel of the means of production, as in the case of slaves, bondsmen, etc., nor do the means of production belong to them, as in the case of peasant-proprietors ; they are, therefore, free from, unencumbered by, any means of production of their own. With this polarisation of the market for commodities, the fundamental conditions of capitalist production are given. The capitalist system pre-supposes the complete separation of the labourers from all property in the means by which they can realise their labour. As soon as capitalist production is once on its own legs, it not only maintains this separation, but reproduces it on a continually extending scale. The process, therefore, that clears the way for the capitalist system can be none other than the process which takes away from the labourer the possession of his means of production ; a process that transforms, on the one hand, the social means of subsistence and of production into capital, on the other, the immediate producers into wage-labourers. . . .

"The immediate producer, the labourer, could only dispose of his own person after he had ceased to be attached to the soil and ceased to be the slave, serf, or bondman of another. To become a free seller of labour-power, who carries his commodity wherever he finds a market, he must further have escaped from the regime of the guilds, their rules for apprentices and journeymen, and the impediments of their labour regulations. Hence, the historical movement which changes the producers into wage-workers appears, on the one hand, as their emancipation from serfdom and from the fetters of the guilds, and this side alone exists for our bourgeois historians. But, on the other hand, these new freed men became sellers of themselves only after they had been robbed of all their own means of production, and of all the guarantees of existence afforded by the old feudal arrangements. And the history of this, their expropriation, is written in the annals of mankind, in letters of blood and fire." (Marx, *Capital*, Vol. i, pp. 737-8, Chap. 26,

American Edition, pp. 785-6.) (We advise our readers to read *Capital*, Vol. i, Chap. 24, which gives a masterly picture of the genesis of capitalism.)

Private property in the social means of production and commodity production are the most essential features of capitalism. Capitalism has not abolished value and the law of value. We must therefore explain capital and the formation of capitalist income not from its violation of the law of value, but on the contrary by that law itself and its further development. We already know that value is a peculiar form of manifestation of social labour in a society where labour is no longer directly social, but where the social character of labour finds its expression in a roundabout way through the exchange of commodities. Under capitalism this is still more clearly shown, since capitalism tending towards higher forms of division of labour sharpens its antagonisms. It is therefore all the more necessary to develop our explanation of the laws of capitalism on the basis of the theory of value.

This method of considering capitalism not as a violation but as the further development of the law of value is of the utmost importance not only theoretically but also politically. All petty-bourgeois "socialists" see in capitalism a violation of "true," "just" value. They want to abolish the capitalist mode of production without abolishing commodity production; without also abolishing, therefore, the value form of the product and the law of value itself. As against this it is exceedingly important always to keep in view the methodology (i.e., the fundamental methods of treatment) of Marx.

I. CAPITAL AND SURPLUS VALUE

To understand the essence of capital and the development of value to surplus value, we must first of all solve the problem of the transformation of money, the universal form of value, into capital, i.e., into a value which throws off surplus value. The question we have to answer is: how is it possible for money to become transformed into Capital?

I. THE TRANSFORMATION OF MONEY INTO CAPITAL

"The circulation of commodities is the starting-point of capital. The production of commodities, their circulation, and that more developed form of their circulation, called commerce, these form the historical groundwork from which it rises." (Marx, *Capital*, Vol. i, p. 123, Chap. 4, American Edition, p. 163.)

"The simplest form of the circulation of commodities is C-M-C, the transformation of commodities into money, and the change of the money back again into commodities; or selling in order to buy. But alongside of this form we find another specifically different form: M-C-M, the transformation of money into commodities, and the change of commodities back again into money; or buying in order to sell. Money that circulates in the latter manner is thereby transformed into, becomes capital, and is already potentially capital." (Marx, *Capital*, Vol. i, p. 124, American Edition, p. 164.)

"Marx further examines the process by which money is transformed into capital and discovers that the form in which money circulates as capital is the inversion of the form in which it circulates as the universal equivalent. The individual owner of commodities sells to buy, he sells what he does not need. The budding capitalist buys in advance what he does *not* want himself; he buys to sell and to sell for more, so as to realise the money he originally put in the business by a monetary profit; this increase Marx calls surplus value.

"Where does this surplus value come from? It can neither arise from the buyer buying the commodities below nor from the seller selling them above their value. For in both cases the gains and losses would balance one another since everyone is in turn buyer and seller. It cannot also come from cheating as cheating can only enrich one at the expense of another but cannot increase the total sum possessed by both, and cannot thus increase the amount of value in circulation. 'The entire capitalist class of a country cannot overreach itself.'

"And yet we find that the entire capitalist class does grow richer before our very eyes, by selling dearer than it buys, by appropriating surplus value. We are therefore as far as ever from an answer to the question: where does this surplus value come from? This question has to be answered on *purely economic* grounds, to the exclusion of all cheating or interference of any kind of force. The

question is then: how is it possible to continue selling dearer than one buys, on the assumption that equal values are always exchanged for equal values?" (Engels' *Anti-Duhring*, p. 215.)

Marx gives the following solution to the problem:

"We are, therefore, forced to the conclusion that the change originates in the use-value, as such, of the commodity, i.e., in its consumption. In order to be able to extract value from the consumption of a commodity, our friend, Moneybags, must be so lucky as to find, within the sphere of circulation, in the market, a commodity whose use-value possesses the peculiar property of being a source of value, whose actual consumption, therefore, is itself an embodiment of labour, and consequently a creation of value. The possessor of money does find on the market such a special commodity in capacity for labour or labour-power.

"By labour-power or capacity for labour is to be understood the aggregate of those mental and physical capabilities existing in a human being, which he exercises whenever he produces a use-value of any description." (Marx, *Capital*, Vol. i, p. 145, Chap. 6, American Edition, pp. 185-6.)

"For the conversion of his money into capital, therefore, the owner of money must meet in the market with the free labourer, free in the double sense, that as a free man he can dispose of his labour-power as his own commodity, and that on the other hand he has no other commodity for sale, is short of everything necessary for the realisation of his labour-power." (Marx, *Capital*, Vol. i, p. 147, Chap. 6, American Edition, p. 187.)

"We must now examine more closely this peculiar commodity, labour-power. Like all others it has a value. How is that value determined?

"The value of labour-power is determined, as in the case of every other commodity, by the labour-time necessary for the production, and consequently also the reproduction, of this special article. So far as it has value, it represents no more than a definite quantity of the average labour of society incorporated in it. Labour-power exists only as a capacity, or power of the living individual. Its production consequently pre-supposes his existence. Given the individual, the production of labour-power consists in his reproduction of himself or his maintenance. For his maintenance he requires a given quantity of the means of

subsistence. Therefore the labour-time requisite for the production of labour-power reduces itself to that necessary for the production of those means of subsistence ; in other words, the value of labour-power is the value of the means of subsistence necessary for the maintenance of the labourer. Labour-power, however, becomes a reality only by its exercise ; it sets itself in action only by working. But thereby a definite quantity of human muscle, nerve, brain, etc., is wasted, and these require to be restored. This increased expenditure demands a larger income. If the owner of labour-power works to-day, to-morrow he must again be able to repeat the same process in the same conditions as regards health and strength. His means of subsistence must therefore be sufficient to maintain him in his normal state as a labouring individual. His natural wants, such as food, clothing, fuel and housing, vary according to the climatic and other physical conditions of his country. On the other hand, the number and extent of his so-called necessary wants, as also the modes of satisfying them, are themselves the product of historical development, and depend therefore to a great extent on the degree of civilisation of a country more particularly on the conditions under which, and consequently on the habits and degree of comfort in which, the class of free labourers has been formed. In contradistinction therefore to the case of other commodities, there enters into the determination of the value of labour-power an historical and moral element. Nevertheless in a given country, at a given period, the average quantity of the means of subsistence necessary for the labourer is practically known.

“ The owner of labour-power is mortal. If then his appearance in the market is to be continuous, and the continuous conversion of money into capital assumes this, the seller of labour-power must perpetuate himself, in the way that every living individual perpetuates himself, by procreation. The labour-power withdrawn from the market by wear and tear and death must be continually replaced by, at the very least, an equal amount of fresh labour-power. Hence the sum of the means of subsistence necessary for the production of labour-power must include the means necessary for the labourer's substitutes, i.e., his children, in order that this race of peculiar commodity-owners may perpetuate its appearance in the market.

“ In order to modify the human organism, so that it may acquire skill and handiness in a given branch of industry,

and become labour-power of a special kind, a special education of training is requisite, and this, on its part, costs an equivalent in commodities of a greater or less amount. This amount varies according to the more or less complicated character of the labour-power. The expenses of this education (excessively small in the case of ordinary labour-power) enter *pro tanto* into the total value spent in its production.

“The value of labour-power resolves itself into the value of a definite quantity of the means of subsistence. It therefore varies with the value of these means or with the quantity of labour requisite for their production. . . .

“We know now how the value paid by the purchaser to the possessor of this peculiar commodity, labour-power, is determined. The use-value which the former gets in exchange, manifests itself only in the actual usufruct, in the consumption of the labour-power. The money owner buys everything necessary for this purpose, such as raw material, in the market, and pays for it at its full value. The consumption of labour-power is at one and the same time the production of commodities and of surplus value. The consumption of labour-power is completed, as in the case of every other commodity, outside the limits of the market or of the sphere of circulation.” (Marx, *Capital*, Vol. i, pp. 149-51, 154, Chap. 6, American Edition, pp. 189-91 and 194-5.)

2. PRODUCTION OF SURPLUS VALUE

“The capitalist buys labour-power in order to use it; and labour-power in use is labour itself. The purchaser of labour-power consumes it by setting its seller to work. By working, the latter becomes actually what before he only was potentially: labour-power in action, a labourer.” (Marx, *Capital*, Vol. i, p. 156, Chap. 7, American Edition, p. 197.)

“The labour-process, turned into the process by which the capitalist consumes labour-power, exhibits two characteristic phenomena. First, the labourer works under the control of the capitalist to whom his labour belongs; the capitalist taking good care that the work is done in a proper manner, and that the means of production are used with intelligence, so that there is no unnecessary waste of raw material, and no wear and tear of the implements beyond what is necessarily caused by the work.

“Secondly, the product is the property of the capitalist

and not that of the labourer, its immediate producer. Suppose that a capitalist pays for a day's labour-power at its value ; then the right to use that power for a day belongs to him, just as much as the right to use any other commodity, such as a horse that he has hired for the day. To the purchaser of a commodity belongs its use, and the seller of labour-power, by giving his labour, does no more, in reality, than part with the use-value that he has sold. From the instant he steps into the workshop, the use-value of labour-power, and therefore also its use, which is labour, belongs to the capitalist. By the purchase of labour-power, the capitalist incorporates labour, as a living ferment, with the lifeless constituents of the product. From his point of view, the labour process is nothing more than the consumption of the commodity purchased, i.e. of labour-power ; but this consumption cannot be effected except by supplying the labour-power with the means of production. The labour-process is a process between things that the capitalist has purchased, things that have become his property. The product of this process belongs, therefore, to him, just as much as does the wine which is the product of a process of fermentation completed in his cellar." (Marx, *Capital*, Vol. i, p. 165, Chap. 7, American Edition, p. 206.)

" We know that the value of each commodity is determined by the quantity of labour expended on and materialised in it, by the working time necessary, under given social conditions, for its production. This rule also holds good in the case of the product that accrued to our capitalist, as the result of the labour-process carried on for him. Assuming this product to be 10 lbs. of yarn, our first step is to calculate the quantity of labour realised in it.

" For spinning the yarn, raw material is required ; suppose in this case 10 lbs. of cotton. We have no need at present to investigate the value of this cotton, for our capitalist has, we will assume, bought it at its full value, say of ten shillings. In this price the labour required for the production of the cotton is already expressed in terms of the average labour of society. We will further assume that the wear and tear of the spindle, which, for our present purpose, may represent all other instruments of labour employed, amounts to the value of two shillings. If, then, twenty-four hours' labour, or two working days, are required to produce the quantity of gold represented by twelve shillings, we have here, to begin with, two days'

labour already incorporated in the yarn." (Marx, *Capital*, Vol. i, pp. 166-7, Chap. 7, American Edition, p. 208.)

"The next point for our consideration is, what portion of the value of the yarn is added to the cotton by the labour of the spinner.

"We have now to consider this labour under a very different aspect from that which it had during the labour process; there, we viewed it solely as that particular kind of human activity which changes cotton into yarn; there, the more the labour was suited to the work, the better the yarn, other circumstances remaining the same. The labour of the spinner was then viewed as specifically different from other kinds of productive labour, different on the one hand in its special aim, viz. spinning, different, on the other hand, in the special character of its operations, in the special nature of its means of production and in the special use-value of its product. For the operation of spinning, cotton and spindles are a necessity, but for making rifled cannon they would be of no use whatever. Here, on the contrary, where we consider the labour of the spinner only so far as it is value-creating, i.e., a source of value, his labour differs in no respect from the labour of the man who bores cannon, or (what here more nearly concerns us), from the labour of the cotton-planter and spindle-maker incorporated in the means of production. It is solely by reason of this identity, that cotton planting, spindle-making and spinning, are capable of forming the component parts, differing only quantitatively from each other, of one whole, namely, the value of the yarn. Here, we have nothing more to do with the quality, the nature and the specific character of the labour, but merely with its quantity. And this simply requires to be calculated. We proceed upon the assumption that spinning is simple, unskilled labour, the average labour of a given state of society. Hereafter we shall see that the contrary assumption would make no difference.

"While the labourer is at work, his labour constantly undergoes a transformation: from being motion, it becomes an object without motion; from being the labourer working, it becomes the thing produced. At the end of one hour's spinning, that act is represented by a definite quantity of yarn; in other words, a definite quantity of labour, namely that of one hour, has become embodied in the cotton. We say labour, i.e., the expenditure of his vital force by the spinner, and not spinning labour, because the

special work of spinning counts here, only so far as it is the expenditure of labour-power in general, and not in so far as it is the specific work of the spinner.

“ In the process we are now considering it is of extreme importance, that no more time be consumed in the work of transforming the cotton into yarn than is necessary under the given social conditions. If under normal, i.e. average social conditions of production, a pounds of cotton ought to be made into b pounds of yarn by one hour's labour, then a day's labour does not count as twelve hours' labour unless twelve A pounds of cotton have been made into twelve B pounds of yarn ; for in the creation of value, the time that is socially necessary alone counts.

“ Not only the labour, but also the raw material and the product now appear in quite a new light, very different from that in which we viewed them in the labour-process pure and simple. The raw material serves now merely as an absorbent of a definite quantity of labour. By this absorption it is in fact changed into yarn, because it is spun, because labour-power in the form of spinning is added to it ; but the product, the yarn, is now nothing more than a measure of the labour absorbed by the cotton. If in one hour $1\frac{2}{3}$ lbs. of cotton can be spun into $1\frac{2}{3}$ lbs. of yarn, then 10 lbs. of yarn indicate the absorption of six hours' labour. Definite quantities of product, these quantities being determined by experience, now represent nothing but definite quantities of labour, definite masses of crystallised labour-time. They are nothing more than the materialisation of so many hours or so many days of social labour.

“ We are here no more concerned about the facts, that the labour is the specific work of spinning, that its subject is cotton and its product yarn, than we are about the fact that the subject itself is already a product and therefore raw material. If the spinner, instead of spinning, were working in a coal-mine, the subject of his labour, the coal, would be supplied by nature ; nevertheless, a definite quantity of extracted coal, a hundredweight, for example, would represent a definite quantity of absorbed labour.

“ We assumed, on the occasion of its sale, that the value of a day's labour-power is three shillings, and that six hours labour are incorporated in that sum ; and consequently that this amount of labour is requisite to produce the necessaries of life daily required on an average by the labourer. If now our spinner by working for one hour, can convert $1\frac{2}{3}$ lbs. of cotton into $1\frac{2}{3}$ lbs. of yarn, it follows that

in six hours he will convert 10 lbs. of cotton into 10 lbs. of yarn. Hence, during the spinning process, the cotton absorbs six hours' labour. The same quantity of labour is also embodied in a piece of gold of the value of three shillings. Consequently by the mere labour of spinning, a value of three shillings is added to the cotton.

"Let us now consider the total value of the product, the 10 lbs. of yarn. Two and a half days' labour have been embodied in it, of which two days were contained in the cotton and in the substance of the spindle worn away, and half a day was absorbed during the process of spinning. This two and a half days' labour is also represented by a piece of gold of the value of fifteen shillings. Hence, fifteen shillings is an adequate price for the 10 lbs. of yarn, or the price of 1 lb. is eighteenpence.

"Our capitalist stares in astonishment. The value of the product is exactly equal to the value of the capital advanced. The value so advanced has not expanded, no surplus-value has been created, and consequently money has not been converted into capital. The price of the yarn is fifteen shillings, and fifteen shillings were spent in the open market upon the constituent elements of the product, or, what amounts to the same thing, upon the factors of the labour-process; ten shillings were paid for the cotton, two shillings for the substance of the spindle worn away, and three shillings for the labour-power. The swollen value of the yarn is of no avail, for it is merely the sum of the values formerly existing in the cotton, the spindle and the labour-power; out of such a simple addition of existing values, no surplus-value can possibly arise. These separate values are now all concentrated in one thing; but so they were also in the sum of fifteen shillings, before it was split up into three parts, by the purchase of the commodities." (Marx, *Capital*, Vol. i, pp. 169-72, Chap. 7, American Edition, pp. 210-3.)

"Let us examine the matter more closely. The value of a day's labour-power amounts to three shillings, because on our assumption half a day's labour is embodied in that quantity of labour-power, i.e., because the means of subsistence that are daily required for the production of labour-power, cost half a day's labour. But the past labour that is embodied in the labour-power, and the living labour that it can call into action; the daily cost of maintaining it, and its daily expenditure in work, are two totally different things. The former determines the exchange-value of the

labour-power, the latter is its use-value. The fact that half a day's labour is necessary to keep the labourer alive during twenty-four hours, does not in any way prevent him from working a whole day. Therefore, the value of labour-power and the value which that labour-power creates in the labour process, are two entirely different magnitudes ; and this difference of the two values was what the capitalist had in view, when he was purchasing the labour-power. The useful qualities that labour-power possesses, and by virtue of which it makes yarn or boots, were to him nothing more than a *conditio sine qua non* ; for in order to create value, labour must be expended in a useful manner. What really influenced him was the specific use-value which this commodity possesses of being *a source not only of value, but of more value than it has itself*. This is the special service that the capitalist expects from labour-power, and in this transaction he acts in accordance with the 'eternal laws' of the exchange of commodities. The seller of labour-power, like the seller of any other commodity, realises its exchange-value, and parts with its use-value. He cannot take the one without giving the other. The use-value of labour-power, or in other words, labour, belongs just as little to its seller, as the use-value of oil after it has been sold belongs to the dealer who has sold it. The owner of the money has paid the value of a day's labour-power ; his, therefore, is the use of it for a day ; a day's labour belongs to him. The circumstance, that on the one hand the daily sustenance of labour-power costs only half a day's labour, while on the other hand the very same labour-power can work during a whole day, that consequently the value which its use during one day creates, is double what he pays for that use, this circumstance is, without doubt, a piece of good luck for the buyer, but by no means an injury to the seller.

" Our capitalist foresaw this state of things. The labourer therefore finds, in the workshop, the means of production necessary for working, not only for six, but for twelve hours. Just as during the six hours' process our 10 lbs. of cotton absorbed six hours' labour, and became 10 lbs. of yarn, so now, 20 lbs. of cotton will absorb twelve hours' labour and be changed into 20 lbs. of yarn. Let us now examine the product of this prolonged process. There is now materialised in this 20 lbs. of yarn the labour of five days, of which four days are due to the cotton and the lost steel of the spindle, the remaining day having been absorbed by the cotton

during the spinning process. Expressed in gold, the labour of five days is thirty shillings. This is therefore the price of the 20 lbs. of yarn, giving, as before, eighteenpence as the price of a pound. But the sum of the values of the commodities that entered into the process amounts to twenty-seven shillings. The value of the yarn is thirty shillings. Therefore the value of the product is one-ninth greater than the value advanced for its production; twenty-seven shillings have been transformed into thirty shillings; a surplus-value of three shillings has been created. The trick has at last succeeded; money has been converted into capital.

“ Every condition of the problem is satisfied, while the laws that regulate the exchange of commodities, have been in no way violated. Equivalent has been exchanged for equivalent. For the capitalist as buyer paid for each commodity, for the cotton, the spindle and the labour-power, its full value. He then did what is done by every purchaser of commodities; he consumed their use-value. The consumption of the labour-power, which was also the process of producing commodities, resulted in 20 lbs. of yarn, having a value of thirty shillings. The capitalist, formerly a buyer, now returns to market as a seller, of commodities. He sells his yarn at eighteenpence a pound, which is its exact value. Yet for all that he withdraws three shillings more from circulation than he originally threw into it. This metamorphosis, this conversion of money into capital, takes place both within the sphere of circulation and also outside it; within the circulation, because conditioned by the purchase of the labour-power in the market; outside the circulation, because what is done within it is only a stepping-stone to the production of surplus-value, a process which is entirely confined to the sphere of production. Thus, ‘ all is for the best in the best of all possible worlds.’ ” (Marx, *Capital*, Vol. i, pp. 174-6, Chap. 7, American Edition, pp. 215-17.)

From the analysis of the process of capitalist production we obtain the following definition of surplus value: surplus value is the value which the wage worker produces over and above the value of his labour-power. Or: surplus value is the difference between the value produced by the wage worker during the working day and the value of his labour power. The definition that “ surplus value is unpaid labour ”

may only be used conditionally, since labour is not paid for at all, as we show in the next section. What the worker sells is not his labour but his labour-power. The last-mentioned definition may create the impression that since there is unpaid labour there is also paid labour. The definition may, however, be used provided it is always borne in mind that there is no such thing as paid labour at all ; there is only paid labour-power.

We thus see that Marx explains the transformation of money into capital and the creation of surplus value not as a violation but as a further development of value. It goes without saying, that Marx by no means thereby declares that labour-power is always sold at its value. We will show in the next lesson that, in accordance with the laws discovered by Marx, labour-power is frequently sold below its value. What Marx proves in his theory of value is that the capitalist secures surplus value even in cases of equivalent exchanges, i.e., when labour-power is paid for at its full value.

There is also no need for any particular proof that Marx, by his supposition of the sale of labour-power at its value, not only does not veil capitalist exploitation and the implacable antagonism between the proletariat and bourgeoisie, but, on the contrary, exposes it in all its nakedness. For, since the creation of surplus value is based upon the law of value, the wage worker is exploited even when he sells his labour-power at its full value. This shows the worker that he is in a different position from all other sellers of commodities ; even when he sells his own commodity, labour-power, at its full value he is still at a disadvantage ; while the capitalist makes a profit out of the sale at their value of the commodities produced by the workers. It is therefore not the violation of the law of value but the law itself which is directed against the working class. Engels has a good laugh at Herr Duhring's panacea.

“ To desire to abolish the capitalist mode of production by the restoration of ‘ true value ’ is like wishing to abolish Catholicism by the restoration of the ‘ true ’ Pope, or like establishing a society in which the producer will at last

dominate his product by consistently carrying out an economic category,¹ which is the most comprehensive expression of the enslavement of the producer by his own product." (Engels' *Anti-Duhring*, pp. 255-6.)

Marx was able to discover the secret of the capitalist mode of production, of capitalist exploitation, by noting the difference between labour-power and labour. Labour-power is only ability to work ; one may possess labour-power, one may be able to work and not work, not set one's labour-power in motion. Labour is labour-power set in motion. The worker sells not his labour but his labour-power. The differentiation between labour-power and labour, of the value of labour-power and the use-value of labour-power (labour itself) forms the kernel of the Marxian theory of value and surplus value. And it is no accident that all the opponents of the proletariat have sought to refute this thesis of Marx and to prove the contrary—that it is not labour-power but labour itself which is a commodity and that it is the latter which is sold and paid for in full.

As this point is of decisive importance, we must proceed to a detailed criticism of the bourgeois conception of the " Value of Labour."

QUESTIONS

1. What are the historical conditions of the capitalist mode of production ?
2. How was the transition of simple commodity production to capitalism consummated ?
3. Why is it necessary to carry out the analysis of the capitalist mode of production on the basis of the theory of value ?
4. Is it possible for surplus value to originate in the circulation process ? If so, why ? If not, why not ?
5. How does money become transformed into capital ?
6. How is the value of labour-power determined ? What constitutes the use-value of labour-power ? What is the difference between labour-power and labour ?
7. What is surplus value ?

¹ Idea.

II. CRITICISM OF THE IDEA—"VALUE OF LABOUR"
AND THE CONNECTED BOURGEOIS AND SOCIAL-DEMOCRATIC
CONCEPTIONS OF THE ECONOMIC RELATIONS
BETWEEN THE PROLETARIAT AND BOURGEOISIE

Marx was not the first to discover that the value of commodities is determined by labour. That value is determined by labour was already known to Adam Smith in the second half of the eighteenth century. But at the same time he put the question (a fatal one for his theory), as to what determines the value of labour, and answered that it was the value of the worker's necessary means of subsistence, or wages. Adam Smith thus fell into a vicious circle: the value of commodities is determined by labour and the value of labour by the value of commodities. Ricardo further developed Adam Smith's determination of value by labour, rejecting the determination of value by wages. Ricardo was the bourgeois economist who came nearest to the discovery of the secret of the capitalist mode of production. He saw the contradictions of Adam Smith's theory, but was himself incapable of solving the question because he had not realised the distinction between labour and labour-power. This was first accomplished by Marx, who thus discovered surplus value as the source of capitalist revenue.

With Ricardo, bourgeois economic science came to an end. The vulgar economists have made it their object to justify capitalism and defend it in every way instead of investigating it objectively and scientifically. In the case of all later bourgeois economists, even when they intended to be earnestly scientific, they yet remained apologists first of all. The slings and arrows of all bourgeois economy are therefore directed against the Marxian thesis that not labour but labour-power is a commodity.

Malthus, who is chiefly known by his frankly anti-working class theory of population, and who was one of the forerunners of vulgar economy, came forward already in 1820 in defence of Adam Smith's theory of

the determination of the value of labour by wages and in opposition to Ricardo who rejected this theory. On the other hand, he decisively rejected the correct theory of Adam Smith which determined value by labour. One of Malthus' pupils stated quite frankly in his *Outline of Political Economy* (1832) the real reason why the Malthusians oppose the determination of value by labour time :

“ That labour is the only source of wealth seems to be a teaching which is as dangerous as it is false, since it unfortunately gives a handle to those who assert that all property belongs to the labouring classes and that they are robbed or plundered of the portion which others receive.” (Quoted from Marx, *Theories of Surplus Value*, Bk. iii, p. 66, German Edition.)

I. THE INNER SENSELESSNESS, AND THE SOCIAL SENSE OF THE IDEA “ VALUE OF LABOUR ”

“ The determination of the value of a commodity by wages which is frequently confused by Adam Smith with its determination by labour time has been ostracised by scientific economics and persists to-day only in vulgar economy. It is just the shallowest sycophants of the existing capitalist society who declare that value is determined by wages and simultaneously that the profit of the capitalist is similarly a higher form of wages, a reward for abstinence (a reward to the capitalist because he had not dissipated his capital), a risk premium, wages of management, etc. . . .

“ It is clear that what a worker gives and what he costs is just as different as what a machine gives and what it costs. The value which a worker creates in a day of twelve hours has nothing in common with the value of the means of subsistence which he consumes in this working day and the periods of rest belonging to it. There may be three, four or seven hours of labour time embodied in these means of subsistence in accordance with the degree of development of the productivity of labour. Let us assume that seven hours of labour were necessary for their production. According to vulgar economic theory, the product of twelve labour hours has the value of that of seven labour hours, that twelve labour hours is equal to seven labour hours, or that twelve equals seven. To put it more clearly still, let us assume that an agricultural labourer (no matter

under what social relations) produces say twenty hectolitres of wheat in a year. During that time he consumes values equivalent to fifteen hectolitres. Then the twenty hectolitres of wheat have the same value as the fifteen in the same market and under the same conditions, in other words twenty is equal to fifteen. And this is called political economy !

“ All development of human society from the phase of savagery begins from the day when the labour of a family creates more products than is necessary for its maintenance, from the day when a part of the labour can be applied to produce not merely means of subsistence but means of production. A surplus of the labour product over and above the cost of maintenance of the labour and the formation and increase of a social production and reserve fund out of this surplus was and is the foundation of all social, political and intellectual progress. In history up to the present this fund was in the possession of a privileged class which by means of this ownership exercised political rule and spiritual leadership. The impending social revolution will make this social production and reserve fund, i.e. the whole mass of raw material, instruments of production and means of life, for the first time really social, in that it will put an end to its monopolisation by a privileged class and make it the common possession of the entire society.

“ Of two things, one : supposing the value of a commodity is determined by the cost of maintenance of the labour necessary for its production, i.e., in the present day by wages. Every worker, in that case, receives *in his wages, the value of his labour product* and then the exploitation of the wage workers by the capitalist class is an impossibility. Supposing three marks is the sum necessary to cover the means of subsistence of a worker in a given society. Then, according to the above vulgar economic theory, the value of the product of a day's labour of a worker is three marks. Let us assume now that the capitalist who has employed this worker adds one mark profit and sells the product for four marks. The other capitalists do the same. But after that the worker has to pay for his means of subsistence not three but four marks. As all other circumstances are assumed to remain the same the wages expressed in the means of subsistence must remain the same and the wage expressed in money must thus increase from three to four marks per day. What the capitalists draw in the shape of

profits they must return in the shape of wages. We have therefore not moved a step: if wages determine value no exploitation of the workers on the part of the capitalists is possible. But the formation of a surplus of the product is equally impossible, as the workers in accordance with our supposition consume just as much value as they produce. And since the capitalists produce no value it is even hard to see what they live upon. And since there does remain a surplus of production over consumption, since there does exist a production and reserve fund and that in the hands of the capitalists, no other explanation is possible than that the workers consume only the value of the commodities which are necessary for their maintenance, the rest being left over to the capitalists.

“But, then, if this production and reserve fund actually exists in the hands of the capitalist class, if it came into being through the piling up of profits (we leave rent out of the question for the present), then it necessarily comes from the accumulated surplus of the product handed over by the working class to the capitalist class over and above the wages paid by the latter to the former. Value in that case, however, is not determined by wages but by the quantity of labour. The working class, in that case, renders to the capitalist in the labour product a greater quantity of value than it received in the shape of wages, and the profit on capital is then to be explained as all other forms of appropriation of the unpaid products of the labour of others, as the mere component part of surplus value discovered by Marx.” (Engels’ *Anti-Duhring*, pp. 204-6.)

“Labour is the creator of all values. It is the one thing which gives the original natural products a value in an economic sense. Value itself is nothing but the expression of the socially necessary human labour embodied in an object. Labour *cannot* therefore have value. To determine and to speak of the value of labour is like speaking of the value of value or the determination of the weight not of a given body but of gravity itself.” (*Ibid.*, p. 212.)

We see how untenable is the idea of the value of labour. It is hardly an idea at all but more in the nature of a senseless combination of words. But this scientifically senseless word-spinning has a clear and definite object. Firstly, the “value of labour” excludes the determination of value by labour, i.e., the determination of value which “gives a handle to those

who assert that all property belongs to the labouring classes and that they are robbed or plundered of the portion which others receive." Secondly, the "value of labour" is a denial of the fact of capitalist exploitation. Indeed, if labour and not labour-power were a commodity, if the worker received the value of his labour in his wages, then profit would, in that case, have nothing at all to do with labour and there would thus be no exploitation of the workers on the part of the capitalists. But then the question would arise: where does the profit and all other forms of income of the non-working classes come from?

2. THE SO-CALLED THEORY OF THE THREE "FACTORS OF PRODUCTION."

This "theory" gives the customary bourgeois reply to the question of the source of capitalist income.

Surplus value, which is created by the working class, forms the only source of all revenues of all sections of the exploiting classes. But the division of this surplus value among these classes or capitalist groups proceeds on the basis of competition which gives a topsy-turvy appearance to all the actual relations. Surplus value becomes transformed into (1) profit—the income of the industrial and merchant capitalists; (2) interest—the income of the *rentier*-capitalists, and (3) rent—the income of the landlords. This division of surplus value and its transformation proceeds according to various laws (we will explain these laws later in the fourth lesson of this course), so that profit, interest and rent *appear* as independent incomes, as if they sprung from different sources of revenue. The bourgeois "theory" of the value of labour puts wages and the income of the capitalists and landlords on the same level, and considers labour as *one* of the sources of revenue.

The great and epoch-making service of Marx was that he distinguished wages in principle from all other forms of income for the first time, so that he could thus investigate surplus value irrespective of its various forms of appearance. Marx himself wrote as follows

regarding this in a letter to Engels (August 24th, 1867) :

“ The best in my book is the treatment of surplus value independently of its particular forms of profit, interest, rent, etc.”

Classical economists, especially Ricardo, also fruitlessly tried to ascribe profit, interest and rent to *one* source. The vulgar economists, on the contrary, have made it their aim to prove the alleged independence of all forms of income and to connect it with their “ theory of the harmony of interests.” (The vulgar economists are therefore also called “ harmonisers.”)

According to the French economist, Jean Baptiste Say (1767-1832), the father of vulgar economy, “ The value of the products originates in the mutual action of labour, capital and natural forces ; only these three factors create the value of new wealth.” (The reader will observe that Say’s meaning of value is something quite different from ours : he is thinking of use-value.) (See Lesson I, “ On the Fetishism of Commodities.”) According to this there are three factors of production : labour, capital and Nature (the earth). Each of these renders a “ productive service ” in the productive process, for which the owners of these productive factors receive their appropriate compensation or revenue (wages, interest and rent).

It is obvious that Say identifies the social productive relations, the classes, with the technical process of production. Labour, the means of production, and land, are always necessary for the productive process ; but labour was not always wage-labour, the means of production were not always capital and land was not always private property. By this theory of the three factors, Say, and all bourgeois political economy along with him, want to represent capitalism as an eternal “ natural ” mode of production.

This, however, does not exhaust the class meaning of the theory of the three productive factors. If it is not labour-power but labour which possesses value and which receives for its “ service ” a portion of the

product created by the three factors ; if profit does not arise from labour but from the means of production, then there are no antagonisms at all between the workers and the capitalists ; on the contrary, there is only harmony and mutual interest. The capitalist, the worker and the landlord appear as three partners in a business, who cannot exist without each other !

“ Since in the form of land-rent, capital-interest, labour-wages, there stand confronted three forms of surplus value and figures of capitalist production not estranged, but strange and indifferent, they are therefore only different and not antagonistic. The different revenues spring from different sources : one from the earth, the other from capital and the third from labour. They stand therefore in no hostile relation to each other, since they are not related to each other at all. If they act together in production it is a harmonious action, an expression of harmony, just, as for instance, the peasant, the ox, the plough and the land in agriculture, in the real labour process, in spite of their differences, work *harmoniously* together. In so far as an antagonism takes place between them it arises only from competition, in which the agents should appropriate more of the product, the value, than they have jointly created. And if perchance it comes to a fight, it shows that the final result of this competition between the land, capital and labour is that while they are quarrelling and through their rivalry the product has increased to such an extent that each one receives a bigger piece, so that their competition itself appears but as a stinging expression of their harmony.” (This is how Marx pokes fun at this view in his *Theories of Surplus Value*, Vol. iii, p. 575, German Edition.)

It may seem that it is not worth while to deal with a theory which originated in the beginning of last century (Say's book appeared in 1803) and which was so brilliantly refuted by Marx. But the criticism of this theory is of real importance just at the present moment. Vulgar economy has inscribed Say's theory on its banner and since then it predominates in all the bourgeois theoretical economic systems in open or veiled form. According to *all* bourgeois, including Social Democrat, economists, the struggle between the proletariat and bourgeoisie is not a fight between

exploiter and exploited, but a struggle for the division of the social product.

This leads to the argument, well known to the workers as one of the slogans of industrialists and the trade union bureaucracy, that "*the worker is interested in the greatest possible increase in productivity.*"

The worker has thus the same interests as the capitalist: they are two partners in a business. How real the words of Marx against the vulgar economists sound to-day, as though they had been written specially against modern Social Democracy.

The theory of the three factors and the harmony of interests not only predominates in the Social Democratic and bourgeois text-books, but is also widely used for the purpose of binding the working class hand and foot. Thus paragraph 1 of the German Works Councils law reads:

"For the protection of the joint economic interests of the employees (workers and officials), *vis-à-vis* the employer, and for the support of the employers in the accomplishment of the objects of the enterprise, works councils are to be formed at all works employing not less than twenty employees."

The same idea also underlies Mussolini's doctrine of the "Corporative State," and it is no accident that Social Democracy, which feeds on fascist ideas, is now called Social Fascism by the revolutionary proletariat. Whitley Councils, Arbitration Boards, the "Mond-Turner" agreements and joint formulas of the T.U.C. General Council and the Federation of British Industries are all rooted in the same idea.

We see then, firstly, the great practical and political importance of the theoretical economic question of the difference between the value and the use-value of labour-power, which at first sight seems very abstract; secondly, how the theory and practice of Social Democracy go hand in hand, and thirdly, that the modern Social Democratic theory is simply the vulgar apologetic theory already destructively criticised by Marx, and is also a "productive service" for the deception of the proletarian masses!

3. "VALUE OF LABOUR" AND PETTY-BOURGEOIS SOCIALISM.

The petty-bourgeoisie, in consequence of its position in bourgeois society, is disunited. On the one hand it struggles against the pressure of capital, and on the other, it resists the abolition of private property and commodity production, since these are the basis of its existence. The spiritual heroes of the petty-bourgeoisie preach, therefore, the transformation of capitalism into a society in which every member will receive the "full fruit of his labour," the "full value of his labour." The basis of this demand is the fact that the small handicraft workers, and the small and middle peasants have much to suffer from the competition of big capital, eventually being also exploited by the merchant-capitalist in so far as they are compelled to sell him the product of their labour below its value.

The small commodity producer is no wage-worker ; he sells not his labour-power but the commodity produced. The demand for the full value of labour is really an expression of this fact. But, the basic idea of this demand is, at the same time, identical with the apologetic conception of value, which we criticised above. Petty-bourgeois Socialism believes, therefore, that the worker sells his labour but does not receive full value for it.

Engels criticised these demands and conceptions in *Anti-Duhring* in the following manner :

" We have already seen that it is self-contradictory to speak of the value of labour. Labour under certain social relations produces not only products but also value, and this value is measured by labour, so that labour can be as little possessed of a special value as gravity, as such, of a special weight, or heat, as such, of a special temperature. But it is a characteristic peculiarity of the confused social ideas of the wisacres of 'true value' to imagine that the worker does not in modern society receive the full 'value' of his labour and that Socialism is called upon to remedy this. Appertaining to this is the necessity to find what is the value of labour and this is done by attempting to measure it according not to its time but to its product. The

worker must receive the 'full product' of his labour. Not only the product of labour, but labour itself should be directly exchangeable for the product, a labour hour for the product of another labour hour. But here at once arises a dangerous difficulty. *The whole product* is distributed. The most important progressive function of society, accumulation, is thus done away with and left to the arbitrary will of the individual. Whatever the individuals may do with their 'income' society remains, at best, as poor and as rich as it was. The means of production which had been accumulated in the past have thus been centralised in the hands of society only in the future again to be split up among separate individuals. A blow is struck at one's own assumptions, and one arrives at a pure absurdity.

"Living labour, active labour-power, is to be exchanged for the product of labour. In that case it is a commodity just as the product for which it is exchanged. In that case the value of labour-power can in no way be determined by the product but by the social labour embodied in it, that is, according to the modern law of wages.

"But this is exactly what is not to be. Living labour, labour-power, should be exchangeable for its full product. This means that it should be exchangeable not against its *value* but against its *use-value*; the law of value should apply to all other commodities but should be rejected in the case of labour-power. And it is this self-destructive confusion which is hidden behind the 'value of labour.'

"The 'exchange of labour for labour on the basis of equal valuation' if it means anything at all, means the interchangeability of products of equal social labour, in other words, the law of value which is the fundamental law of commodity production and consequently also of its highest form, capitalist production. This law takes effect in modern society in the same way as all economic laws in a society of private producers, that is as a law underlying things and relations, completely independent of the will and wishes of the producers; elemental law of nature. Herr Duhring by raising this law to be the fundamental law of his economic commune and demanding that it should be carried out in full consciousness, makes the fundamental law of the present state of society that of his phantastic society. He wants to maintain the present society but without its evils. He thereby takes up the same standpoint as Proudhon. Like the latter, he wants to remove the evils, which have arisen from the development

of commodity production to capitalist production, by means of the fundamental law of capitalist production, which is just what produces these evils. Like Proudhon, he wants to replace the real consequences of the law of value by phantastic ones. But, however proudly our modern Don Quixote may sally forth on his noble Rozinante (the 'universal principle of Justice'), accompanied by his brave Sancho Panza (Abraham Enns) to win Mambrin's helm (the 'value of labour'), we fear that he will bring home nothing more than the barber's good old basin." (*Anti-Duhring*, pp. 337-9.)

It will be remembered that Lassalle, in his time, also proclaimed the slogan of the "full fruit of labour," which was strongly criticised by Marx.¹ It serves now as the foundation stone in the system of Oppenheimer which was mentioned above. It thus appears that petty-bourgeois Socialism, which exercises an influence over certain sections of the proletariat, is but an offshoot of bourgeois ideology.

The decisive importance of the Marxian teaching on the value of labour-power is now clear. It is the kernel of his teaching on capital and surplus value and the central point of the whole of his economic theory. Marx himself has expressed it in the following words:

"He (Ricardo—Editor) should have spoken of labour-power instead of labour. But Capital, in that case, would have presented itself as material working conditions facing the worker, as a power become independent. And Capital would immediately have presented itself as a *definite social relation*." (*Theories of Surplus Value*, 2nd Book, 1st Part, p. 119. German Edition.)

"For Socialism," writes Engels, "which aims at the emancipation of human labour-power from its condition as a commodity, the view that labour has and can have no value is of the greatest importance." (*Anti-Duhring*, p. 212.) And further: "The solution of this question is the epoch-making service of the work of Marx. It sheds a flood of light over economic domains in which the earlier socialists no less than bourgeois economists groped in utter darkness. Scientific Socialism dates from and centres around it." (*Ibid.*, p. 216.)

¹ See Marx-Engels' *Programmkritiken* (*Elementarbücher des Kommunismus*, pp. 21 and 23).

QUESTIONS

1. What class interest is connected with the view that labour and not labour-power possesses value? For what reason is this so?
2. Explain the connection between the theory of the three factors of production and the theory of the harmony of classes.
3. Show how social democracy gives up the Marxian theory of capitalism and takes up the standpoint of bourgeois economy?
4. Wherein is the significance of the Marxian teaching on the value of labour-power?

III. CONSTANT AND VARIABLE CAPITAL

From the foregoing exposition of the Marxian theory and the treatment and criticism of the doctrine of the value of labour, it follows that capital pre-supposes a definite social relation between the working class and the capitalist class. This relation, however, is not simply one of division, for in that case there would be no fundamental antagonism between the proletariat and the bourgeoisie. In the struggle for the division of the so-called "social product" of the three factors of production, there could even arise a frank community of interests in the direction of the landowners receiving the smallest possible part of the total product, since this would leave all the more for "division" between the capitalists and workers. The division conception excludes, therefore, fundamental class antagonisms.

But the capital relation is a fundamental, irreconcilable and unbridgeable class antagonism which can only be explained and understood from the Marxian standpoint. The wage worker is not an independent producer in a capitalist state of society, he is also not an equal participant in the capitalist process of production: his labour-power in the process of production belongs not to him but to the capitalist to whom he has sold it. He receives from the capitalist the value of his labour-power in the form of wages. During the labour process, the worker produces a new value which belongs to the capitalist in advance, not the least fraction of which, therefore, can belong to the worker.

One part of this new value replaces the capitalist the amount paid in wages, that is the value of the labour-power ; the other part represents surplus value which is split up into various forms of revenue, profit, interest and rent, among the individual groups of the whole exploiting class. The final source of all revenue is labour and labour only. The fundamental class antagonism between the proletariat and bourgeoisie is thereby exposed : the existence of the bourgeoisie rests upon the appropriation of the labour of others, the unpaid labour of the proletariat. The capital relation is, therefore, not a division relation but an exploitation relation.

Bourgeois economy, especially vulgar economy, seeks to veil the essence of the capital relation; the exploitation of wage labour. If it rejects the Marxian teaching of the value of labour-power, if it speaks of the value of labour, and holds that Labour, Capital and Land are three independent sources of income, it must, of necessity, come to the conclusion that capital, i.e., money, machinery, raw material, etc., possess the property of producing profit. How, in what manner, and on the basis of what objective processes, this conception arises, we will only be able to show, in the fifth booklet of this course, after investigating the process of circulation of capital. In the meantime we desire to enter upon a criticism of a very important aspect of this conception, namely the question whether machinery, raw material, i.e., dead things, mere means of production, are really capable of creating value, and therefore also surplus value and profit. For bourgeois economy considers as capital only the material conditions of the process of production and not labour-power. In reality what acts in the capital applied in the process of production is not only the means of production but also the labour-power sold to the capitalist. By transforming his money into capital, the capitalist transforms it into means of production *and* labour-power, into material and personal factors of the process of production. The labour-power bought by the capitalist now belongs to him and not to the worker and forms a component part of his productive

capital. But the different component parts of the capital play quite different roles.

“ The various factors of the labour process play different parts in forming the value of the product.

“ The labourer adds fresh value to the subject of his labour by expending upon it a given amount of additional labour, no matter what the specific character and utility of that labour may be. On the other hand, the values of the means of production used up in the process are preserved, and present themselves afresh as constituent parts of the value of the product ; the values of the cotton and the spindle, for instance, reappear again in the value of the yarn. The value of the means of production is therefore preserved, by being transferred to the product. This transfer takes place during the conversion of those means into a product, or in other words, during the labour process. It is brought about by labour ; but how ?

“ The labourer does not perform two operations at once, one in order to add value to the cotton, the other in order to preserve the value of the means of production, or, what amounts to the same thing, to transfer to the yarn, to the product, the value of the cotton on which he works, and part of the value of the spindle with which he works. But, by the very act of adding new value, he preserves their former values. Since, however, the addition of new value to the subject of his labour, and the preservation of its former value, are two entirely distinct results, produced simultaneously by the labourer, during one operation, it is plain that this twofold nature of the result can be explained only by the twofold nature of his labour ; at one and the same time, it must in one character create value, and in another character preserve or transfer value.

“ Now, in what manner does every labourer add new labour and consequently new value ? Evidently, only by labouring productively in a particular way ; the spinner by spinning, the weaver by weaving, the smith by forging. But, while thus incorporating labour generally, that is value, it is by the particular form alone of the labour, by the spinning, the weaving and the forging respectively, that the means of production, the cotton and spindle, the yarn and loom, and the iron and anvil become constituent elements of the product, of a new use-value. Each use-value disappears, but only to re-appear under a new form in a new use-value. Now, we saw, when we were considering

the process of creating value, that, if a use-value be effectively consumed in the production of a new use-value, the quantity of labour expended in the production of the consumed article, forms a portion of the quantity of labour necessary to produce the new use-value; this portion is therefore labour transferred from the means of production to the new product. Hence, the labourer preserves the values of the consumed means of production, or transfers them as portions of its value to the product, not by virtue of his additional labour, abstractly considered, but by virtue of the particular useful character of that labour, by virtue of its special productive form. In so far then as labour is such specific productive activity, in so far as it is spinning, weaving or forging, it raises, by mere contact, the means of production from the dead, makes them living factors of the labour process, and combines with them to form the new products.

“ If the special productive labour of the workman were not spinning, he could not convert the cotton into yarn, and therefore could not transfer the values of the cotton and spindle to the yarn. Suppose the same workman were to change his occupation to that of a joiner, he would still by a day’s labour add value to the material he works upon. Consequently, we see, first, that the addition of new value takes place not by virtue of his labour being spinning in particular, or joinering in particular, but because it is labour in the abstract, a portion of the total labour of society; and we see next, that the value added is of a given definite amount, not because his labour has a special utility, but because it is exerted for a definite time. On the one hand, then, it is by virtue of its general character, as being expenditure of human labour-power in the abstract, that spinning adds new value to the values of the cotton and the spindle; and on the other hand, it is by virtue of its special character, as being a concrete, useful process, that the same labour of spinning both transfers the values of the means of production to the product, and preserves them in the product. Hence at one and the same time there is produced a twofold result.

“ By the simple addition of a certain quantity of labour, new value is added, and by the quality of this added labour, the original values of the means of production are preserved in the product. This twofold effect, resulting from the twofold character of labour, may be traced in various phenomena.

“ Let us assume that some invention enables the spinner to spin as much cotton in six hours as he was able to spin before in thirty-six hours. His labour is now six times as effective as it was, for the purposes of useful production. The product of six hours' work has increased sixfold, from 6 lbs. to 36 lbs. But now the 36 lbs. of cotton absorb only the same amount of labour as formerly did the 6 lbs. One-sixth as much new labour is absorbed by each pound of cotton, and consequently, the value added by the labour to each pound is only one-sixth of what it formerly was. On the other hand, in the product, in the 36 lbs. of yarn, the value transferred from the cotton is six times as great as before. By the six hours' spinning, the value of the raw material preserved and transferred to the product is six times as great as before, although the new value added by the labour of the spinner to each pound of the very same raw material is one-sixth what it was formerly. This shows that the two properties of labour, by virtue of which it is enabled in one case to preserve value, and in the other to create value, are essentially different. On the one hand, the longer the time necessary to spin a given weight of cotton into yarn, the greater is the new value added to the material ; on the other hand, the greater the weight of the cotton spun in a given time, the greater is the value preserved, by being transferred from it to the product.

“ Let us now assume, that the productiveness of the spinner's labour, instead of varying, remains constant, that he therefore requires the same time as he formerly did to convert one pound of cotton into yarn, but that the exchange value of the cotton varies, either by rising to six times its former value or falling to one-sixth of that value. In both these cases, the spinner puts the same quantity of labour into a pound of cotton, and therefore adds as much value, as he did before the change in the value ; he also produces a given weight of yarn in the same time as he did before. Nevertheless, the value that he transfers from the cotton to the yarn is either one-sixth of what it was before the variation, or, as the case may be, six times as much as before. The same result occurs when the value of the instruments of labour rises or falls, while their useful efficacy in the process remains unaltered.

“ Again, if the technical conditions of the spinning process remain unchanged, and no change of value takes place in the means of production, the spinner continues to consume in equal working-times equal quantities of raw

material, and equal quantities of machinery of unvarying value. The value that he preserves in the product is directly proportional to the new value that he adds to the product. In two weeks he incorporates twice as much labour, and therefore twice as much value, as in one week, and during the same time he consumes twice as much material, and wears out twice as much machinery, of double the value in each case; he therefore preserves, in the product of two weeks, twice as much value as in the product of one week. So long as the conditions of production remain the same, the more value the labourer adds by fresh labour, the more value he transfers and preserves; but he does so merely because this addition of new value takes place under conditions that have not varied and are independent of his own labour." (Marx, *Capital*, Vol. i, pp. 180-4, American Edition, pp. 221-5.)

"We have seen that the means of production transfer value to the new product, so far only as during the labour process they lose value in the shape of their old use-value. The maximum loss of value that they can suffer in the process is plainly limited by the amount of the original value with which they came into the process, or in other words, by the labour-time necessary for their production. Therefore, the means of production can never add more value to the product than they themselves possess independently of the process in which they assist. However useful a given kind of raw material, or a machine, or other means of production may be, though it may cost £150, or say 500 days' labour, yet it cannot, under any circumstances, add to the value of the product more than £150. Its value is determined not by the labour process into which it enters as a means of production, but by that out of which it has issued as a product. In the labour process it only serves as a mere use-value, a thing with useful properties, and could not, therefore, transfer any value to the product unless it possessed such value previously." (Marx, *Capital*, Vol. i, p. 188, American Edition, p. 229.)

"As regards the means of production, what is really consumed is their use-value, and the consumption of this use-value, labour, results in the product. There is no consumption of their value, and it would therefore be inaccurate to say that it is reproduced. It is rather preserved; not by reason of any operation it undergoes itself in the process, but because the article in which it originally exists vanishes, it is true, but vanishes into some other

article. Hence, in the value of the product, there is a re-appearance of the value of the means of production, but there is, strictly speaking, no reproduction of that value. That which is produced is a new use-value in which the old exchange-value re-appears." (Marx, *Capital*, Vol. I, Chap. 8, pp. 189-90, American Edition, pp. 230-1.)

The value of labour-power appears in the value of the product in quite a different manner; different in principle. Labour-power plays an *active* part in the process of production. While the means of production cannot create any value, labour (i.e., labour-power in motion), creates a new value which not only replaces the value of the labour-power but also forms surplus value. The value of the labour-power is therefore not transferred but replaced by a newly created value; it is therefore created anew or *reproduced*.

"It is otherwise with the subjective factor of the labour process, with labour-power in action. While the labourer, by virtue of his labour being of a specialised kind that has a special object, preserves and transfers to the product the value of the means of production, he at the same time, by the mere act of working, creates each instant an additional or new value. Suppose the process of production to be stopped just when the workman has produced an equivalent for the value of his own labour-power, when, for example, by six hours' labour, he has added a value of three shillings. This value is the surplus, of the total value of the product, over the portion of its value that is due to the means of production. It is the only original bit of value formed during this process, the only portion of the value of the product created by this process. Of course, we do not forget, that this new value only replaces the money advanced by the capitalist in the purchase of the labour-power, and spent by the labourer on the necessaries of life. With regard to the money spent, the new value is merely a reproduction; but, nevertheless, it is an actual, and not, as in the case of the value of the means of production, only an apparent, reproduction. The substitution of one value for another, is here effected by the creation of new value.

"We know, however, from what has gone before, that the labour process may continue beyond the time necessary to reproduce and incorporate in the product a mere equivalent for the value of the labour-power. Instead of the six

hours that are sufficient¹ for the latter purpose, the process may continue for twelve hours. The action of labour-power, therefore, not only reproduces its own value, but produces value over and above it. This surplus-value is the difference between the value of the product and the value of the elements consumed in the formation of that product, in other words, of the means of production and the labour-power.

“By our explanation of the different parts played by the various factors of the labour process in the formation of the product's value, we have, in fact, disclosed the characters of the different functions allotted to the different elements of capital in the process of expanding its own value. The surplus of the total value of the product, over the sum of the values of its constituent factors, is the surplus of the expanded capital over the capital originally advanced. The means of production on the one hand, labour-power on the other, are merely the different modes of existence which the value of the original capital assumed when from being money it was transformed into the various factors of the labour process. That part of capital then, which is represented by the means of production, by the raw material, auxiliary material and the instruments of labour, does not, in the process of production, undergo any quantitative alteration of value. I therefore call it the constant part of capital, or more shortly, constant capital.

“On the other hand, that part of capital, represented by labour-power, does, in the process of production, undergo an alteration of value. It both reproduces the equivalent of its own value, and also produces an excess, a surplus-value, which may itself vary, may be more or less according to circumstances. This part of capital is continually being transformed from a constant into a variable magnitude. I therefore call it the variable part of capital, or shortly, variable capital. The same elements of capital which, from the point of view of the labour process, present themselves respectively as the objective and subjective factors, as means of production and labour-power, present themselves, from the point of view of the process of creating surplus value as constant and variable capital.” (Marx, *Capital*, Vol. i, Chap. 8, pp. 190-2, American Edition, pp. 231-3.)

¹ The reader should remember that Marx here only takes a random figure as an example. In the capitalist process of production of the present day, the value of the labour power is, in most cases, reproduced by the worker in a much shorter time.

The division of capital into constant and variable capital, which was first discovered by Marx and which is evaded by bourgeois economists, does much to expose the secret of capitalist exploitation. It shows that the means of production play a passive part in the process of production. They create no value and therefore also no surplus value. Their value is preserved and transferred to the product through being acted upon by labour-power, through labour, the sole active factor of production. The real motive force of capital is only labour-power; it alone "lends life" to the means of production; it alone forms the sole source of surplus value. This division of capital into constant and variable, so vital for a proper understanding of the process of production, could only be discovered by Marx because he had discovered the twofold nature of labour. We saw that in the labour process, abstract labour creates new value, while concrete labour transfers the value of the means of production to the product. Without distinguishing between abstract and concrete labour it would have been altogether impossible to understand the different parts played by the means of production and labour-power in the capitalist process of production.

QUESTIONS

1. What are the parts which constitute the value of the product?
2. How do the means of production and labour-power participate differently in the formation of the value of the product?
3. In what does the twofold nature of labour in the capitalist process of production express itself?
4. Analyse the difference between constant and variable capital.

IV. CAPITAL AND SURPLUS VALUE AS HISTORICAL CATEGORIES

We have shown in the above exposition that the nature of the capital relation is the exploitation of wage labour. Now, after the investigation of the

division of capital into constant and variable, we have all the conditions necessary for answering the question : what is capital ?

In its continuous movement, capital assumes various forms in turn. It first appears in the form of money, then in the form of means of production and labour-power, after that in the form of ready commodities, and then again in the money form. We should not, however, be deluded by the various manifestations of capital ; we must understand the substance common to all these forms ; we must define the nature of capital, irrespective of its separate forms. Marx puts and answers this problem in the following words in *Wage Labour and Capital* :

“ Capital consists of raw materials, instruments of labour, and all kinds of means of life which are used to produce new raw materials, new instruments and new means of life. All these component parts of capital are created by labour, products of labour, *stored-up labour*. Stored-up labour which serves as a means of new production is capital.

“ So say the economists.

“ What is a negro-slave ? A man of the black race. The one definition is worthy of the other.

“ A negro is a negro. He only becomes a slave under certain conditions. A cotton-spinning machine is a machine for spinning cotton. Only under certain conditions does it become *capital*. Torn from those conditions it is no more capital than gold in itself is money, or sugar the price of sugar.

“ In production, men stand in relation not only to nature, but to each other. They only produce by working together in a certain way, and mutually exchanging their activities. In order to produce, they mutually enter into certain relations and conditions, and only within the limits of these social relations and conditions does their influence affect nature and production become possible.

“ These social relations between the producers and the conditions under which they exchange their activities and take part in the collective act of production, will naturally vary according to the character of the means of production. With the invention of firearms the whole internal organisation of the army was necessarily altered, the conditions changed under which individuals compose an army and

work as an army, and the relation of different armies to one another was also changed.

“ The social relations, within which individuals produce, *the social relations of production, thus change, transform themselves with the change and development of the material means of production, the forces of production. The relations of production in their totality constitute that which we call the social relations, or society. Moreover, a society founded upon a definite stage of historic development, is a society with a peculiar, distinctive character. Ancient society, feudal society, bourgeois society are totalities of conditions of production, each of which signifies a particular stage of development in the history of mankind.*

“ *Capital also is a social relation of production. It is a bourgeois relation of production, a relation of production of bourgeois society. The means of life, the instruments of labour, the raw materials, of which capital consists, were they not produced and stored up under given social conditions? Are they not employed under given social conditions in definite social relations for the purpose of new production? And is it not just this definite social character that transforms into capital these products which serve for new production?*

“ Capital consists not only of means of life, instruments of labour and raw materials, nor only of material products; it consists as much of *exchange-values*. All products of which it consists are *commodities*. Capital is thus not only the sum of material products, it is the sum of commodities, of exchange-values, of *social-magnitudes*. Capital remains the same if we substitute cotton for wool, rice for corn, steamships for railways, provided that the cotton, the rice, the steamships—the bodily form of capital—have the same exchange-value, the same price as the wool, the corn, the railways, in which it was previously embodied. The bodily form of capital may change continually, without capital changing in the slightest degree.

“ *But though all capital is a sum of commodities, that is of exchange-values, that is not to say that every sum of commodities, of exchange-values, is capital.*

“ Every sum of exchange-values is an exchange-value. Each single exchange-value is a sum of exchange-values. A house, for instance, which is worth £1,000 is an exchange-value of £1,000. A piece of paper worth a penny is a sum of exchange-values of fifty-fiftieths of a penny. Products which are exchangeable for others are *commodities*. The

definite proportion in which they are *exchangeable* constitutes their *exchange-value*, or, to express it in money terms, their *price*. The quantity of these products makes no difference to their character as commodities, as representing an exchange-value, as having a certain price. Whether a tree be large or small, it is still a tree. Whether we exchange iron for other products in ounces or in hundredweights makes no difference to its character as a commodity, an exchange-value. According to the quantity it is a commodity of a greater or lesser value, of a higher or lower price (but still a commodity).

“How, then, does a sum of commodities, of exchange-values, become capital?”

“By this means, as an independent social *power*, that is, as the power of *part of society*, it maintains itself and increases by *exchange with direct, living labour-power*. The existence of a class which possesses nothing but its labour-power is a necessary pre-supposition of capital.

“It is only the dominion of accumulated, past, realised labour over actual living labour that constitutes the accumulated labour as capital.

“Capital does not consist in accumulated labour serving living labour as a means of new production. It consists in living labour serving accumulated labour as a means of conserving and increasing its exchange-value.” (Marx, *Wage-Labour and Capital*, pp. 14-18, British Edition.)

The last thought is of fundamental importance. The objective material basis of the process of production is the preservation and production of social life. No society can continue to exist unless it satisfies in some way the minimum needs of the masses. This is also a necessity for capitalism.

“Before a class can be oppressed,” writes Marx in the *Communist Manifesto*, “it must have a modicum of security for its vital conditions, so that within these it can at least carry on its slavish existence.” (Marx, *Communist Manifesto*, p. 20, American Edition.)

The nature of the capitalist mode of production does not consist, however, in the satisfaction of social needs, but in the accumulation of surplus value; it rests upon the fundamental contradiction between social production and private capitalist appropriation. The inconsistency of the capitalist mode of production lies

in this, that it is not "accumulated labour which serves living labour as a means for new production" but that "the living labour serves accumulated labour as a means to preserve and to increase its exchange value." The contradiction between the needs of social production and its capitalist form is becoming ever sharper so that it must lead to a general crisis in the capitalist mode of production. The following words of the *Communist Manifesto* seem as though they were specially written for the present period of the general crisis of capitalism with its enormous army of unemployed :

"The worker is becoming a pauper, and pauperism is increasing even more rapidly than population and wealth. This plainly shows that the bourgeoisie is no longer fitted to be the ruling class in society, or to impose its own social system as supreme law for society-at-large. It is unfit to rule because it is incompetent to provide security for its slaves even within the confines of their slavish existence ; because it has no option but to let them lapse into a condition in which it has to feed them instead of being fed by them. Society cannot continue to live under bourgeois rule. This means that the life of the bourgeoisie has become incompatible with the life of society." (Marx, *Communist Manifesto*, pp. 20-1, American Edition.)

Capital is thus not only a social relation but an historically-limited transitional social relation—an historical category. The capitalist mode of production is not the only historically known mode of production, not even the only historically known form of exploitation. The slave economy of antiquity was also an exploitation economy (a society based on exploitation) but the slave was not a wage labourer ; he belonged to his master. The exploitation was obvious. Similarly under serfdom in the Middle Ages, where the peasant-serf had to render his service and imposts without receiving any wage. In capitalism, exploitation is veiled because the worker is personally free and legally possessed of rights equal to those of the capitalist, and because he receives wages for his labour and appears to sell not his labour-power but his labour.

When the peasant-serf works over and above the

labour time necessary for his subsistence, so as to render the services and imposts forced upon him by his lord, he yet does not create thereby any surplus value. For his labour-power as well as the products have no value (exchange value), because they are not commodities. The small handicraft worker, who works by himself without wage labourers, creates no surplus value. Although he produces commodities, although he produces a greater value than the whole of the means of subsistence necessary for the recuperation of his labour-power, although he may, under favourable conditions, be able to realise this surplus (which is seldom the case)—this surplus does not yet form surplus value. From a *book-keeping* point of view it may be surplus of value, but from an *economic* point of view it is not surplus value since it is appropriated by the handicraft worker, who produced it, himself. This surplus of value does not express any exploitation relation ; any appropriation of someone else's labour ; any class relation.

Surplus value is, therefore, an economic category, which specifically expresses the capitalist production relations, the relations between the wage workers and the capitalists.

That capitalism is an historically limited mode of production is not only shown by the past and by the theoretically discovered tendencies of the development of capitalism, but also already by the present. In the Soviet Union we have a living example of Socialist construction, where the same means of production which before the Proletarian Revolution were capital, now no longer embody in themselves a capital relation and are not therefore capital in the real sense of the word.¹

The bourgeois mode of thought is incapable of grasping this historical character of capital. It is not merely that the bourgeois economists are subjectively inclined

¹ We will speak more fully of the industrial relations in the Soviet Union in the next lesson, after describing the relations ruling in capitalist countries and in connection with the criticism of the Social Democratic conception of "Industrial Democracy" under capitalism.

to justify the capitalist mode of production. Their mode of thought is also confused by the external manifestation of the social relations, as we have already shown in the first booklet. The social productive relations are adjusted in a commodity society by the relations between things (exchange of commodities). In bourgeois society we have "material relations of persons and social relations of things" (Marx). The fetishism of commodities, therefore, rules in it. The social relations appear in a material form. Value—a social relation—appears as a *natural* property of the commodity and it is in this way that bourgeois economists conceive it. To penetrate more deeply into its manifestation, to uncover the *substance* hidden in the material manifestation by means of critical analysis—this bourgeois economy is incapable of performing, for otherwise it would no longer remain *bourgeois* economy.

This is precisely the reason why bourgeois economy cannot liberate itself from the material manifestation of capital. Capital is not simply a social relation. It is a materialised social relation. It appears in the form of money, and of means of production and subsistence. And bourgeois economists accept these external manifestations of capital as the substance of capital. The social and historical nature of capital thus vanishes. Capital according to this view is not value, bearing value through the exploitation of wage labour, but is simply means of production which serve further production. The social moment is replaced by the technical; the technical process of production, common to all orders of society, appears on the scene instead of the traits peculiar to the bourgeois mode of production. Capital is thus transformed into a non-historical eternal category.

"In the first stone which he (the savage) flings at the wild animal he pursues, in the first stick that he seizes to strike down the fruit which hangs above his reach, we see the appropriation of one article for the purpose of aiding in the acquisition of another, and thus discover the origin of capital."

In this statement, which Marx quotes in his *Capital*

(Vol. i, p. 164), we have a model example of how the perverted manifestation of social relations creates perverted, fetishistic representations of the substance of capital.

This fetishistic conception of capital predominates in bourgeois political economy whatever the special shades that may also be found therein.

The distinction drawn between the conception of capital from the point of view of private business, and the conception of capital in the national-economic and technical sense is very widespread.

This distinction, which is only a refined form of the fetishism of capital, is also made by the Nöltings, who have already been mentioned, who write as follows :

“ Capital in the national economic sense is according to Oppenheimer’s expression nothing but the creative good which is to be found in an economic society. It has already been pointed out that production absolutely without capital cannot be conceived even for the beginning of man’s economy. . . . Even in primitive forms of hunting there are certain resources whereby man seeks to secure and enrich the results of his labour. The aim of capital in the national economy sense is to be a resource for the lightening of labour. Its first form is the primitive tool with which the savage proceeds to the finding and working up of natural material.” (*Einführung in die Theorie der Wirtschaft*, p. 47.)

Here, capital as the so-called “ national-economic capital ” becomes, as with Torrens, a non-historical category. The theoretical basis for Economic Democracy is thereby created, so as to justify the Social Democratic policy of furthering the formation of capital at the expense of the working class.

QUESTIONS

1. What is Capital ?
2. Why is Capital an historical category ?
3. Wherein lies the fetishistic character of Capital and what is its connection with the fetishism of commodities ?

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