

MARXIST STUDY COURSES

Course

POLITICAL ECONOMY

Contents

Marxist Theory of Value

- I. Contradictions in the Capitalist Methods of Production.
- II. Analysis of Commodities Value.
- III. Value as the specific embodiment of socially necessary labour in commodity society.
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Marxist Study Courses

Course I.

Political Economy

LESSON I.
MARXIST THEORY OF VALUE



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GENERAL SURVEY OF COURSE I

IN this course on Political Economy, we deal with questions fundamental to the working class.

Why is this subject so important?

Not just because it treats of "wages," "prices," "industry" and "trade." Of course, these things vitally affect our daily lives. We want to know about them. But in order to know about them we have to approach and study even more fundamental questions—the whole nature of the present system of production, capitalist production, and the laws of capitalist development. In this examination, we find the inner antagonisms and contradictions which lead to the overthrow of capitalism and the abolition of the classes—to the creation of a classless society, with no exploitation.

We have, therefore, at the start, to tackle the main central key to capitalist production. This is found in the COMMODITY FORM of its products and the "value" of the commodity. As Engels puts it:

"In the value form of the product, as in a folded bud, lies the whole form of capitalist production, the antagonism between capital and wage-labour, the industrial reserve army and crises." (*Anti-Duhring*, p. 336.)

All products in bourgeois society, including of course, Labour-power, appear as commodities. Here, then, we must start our study, with

THE MARXIST THEORY OF VALUE.

Capitalist commodity production is, however, only one of the kinds of commodity production—its particular character is that the worker has to sell his *labour-power*. What he produces belongs to the capitalist, who, in return, only pays him part of its value. This capitalist exploitation is the theme of our second lesson,

CAPITAL AND SURPLUS VALUE.

This exploitation, under the commodity exchange

form of capitalism, is hidden by various forms of wage payments. In order to examine it we have therefore to consider

THE NATURE FORM AND MOVEMENT OF WAGES.

And bound up with this, naturally, is the essence of class relationships under capitalism.

How is Surplus Value divided among the capitalists? There are definite laws, which work independently of the wishes of the individual capitalist, governing the distribution of surplus value into the categories of profit, interest and rent. Our fourth lesson is therefore

THE LAWS OF THE DIVISION OF SURPLUS VALUE.

But the class antagonism, though the main, is not the only antagonism of capitalism. Closely linked with it is the contradiction of the anarchy of production. *Production* is a social process—all parts are bound up with each other—but *property* is private. Use-Values, useful objects, are produced not to satisfy human needs, but for profit. Hence, the low "standard of life" forced on the proletarian masses and hence the periodic crises. Our fifth lesson is therefore

CRISES, THEIR INEVITABILITY UNDER CAPITALISM AND THE IMPOSSIBILITY OF ITS OVERCOMING THEM.

Repeated crises have not brought a complete breakdown of capitalism. But, every time, the contradictions and decay of capitalism becomes more clear and the condition of life for the masses becomes more unbearable. In this stage of decaying capitalist

IMPERIALISM, THE PROLETARIAN REVOLUTION BECOMES THE ORDER OF THE DAY.

This is the theme of our sixth lesson.

In this stage, however, especially after the first imperialist world war and the birth of the first proletarian state of socialist construction, the menace of the "Labour" theorists, the agents of the bourgeoisie, the Social-Democrats, grows. Theories of the

further prosperity of capitalism, of the gradual development of capitalism into socialism, of "organised capitalism" are also used to divert the workers from the only path to freedom, to bind them more closely to the predatory capitalist exploitations. Exposure of their theories is an essential step and therefore the seventh theme is

CRITIQUE OF SOCIAL-DEMOCRATIC THEORIES OF
IMPERIALISM AND ECONOMIC DEMOCRACY.

BOOKS

Capital, Vol. I, MARX. This is published by Kerr in one volume for 12s. 6d., \$2.50. It is also published by Allen and Unwin (London) for 12s. 6d., and International Publishers (New York) for \$3.75, in a new translation by E. and C. Paul. (See Reviews in *Labour Monthly*, May and July 1929 and March 1930.) This translation has been used for the Everyman Edition (2 vols. 2s. each), which has, however, a typical Social-Democratic Introduction by G. D. H. Cole.

Wage Labour and Capital, MARX. Modern Books (London) 4d. Workers' Library Publishers (New York), 10 cents.

Value, Price and Profit, MARX. Allen and Unwin. 1s. Workers' Library Publishers (in ESSENTIALS OF MARX), 75 cents.

The Teachings of Karl Marx, V. I. LENIN. Martin Lawrence. 9d. International Publishers, 15 cents.

Socialism, Utopian and Scientific, ENGELS. Allen and Unwin. 5s., 25 cents.

Outline of Political Economy, Parts 1 and 2. LAPIDUS and OSTROVITYANOV. Martin Lawrence. 12s. 6d. International Publishers, \$3.25.

The classical economists have mostly been reprinted in Everyman's Library. Perhaps the simplest modern bourgeois author is H. D. Henderson, *Supply and Demand*, 5s.

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LESSON I. MARXIST THEORY OF VALUE

I. CONTRADICTIONS IN THE CAPITALIST METHOD OF PRODUCTION

WHAT is the most characteristic feature of capitalism? Every worker knows from his own experience that it is the exploitation of the wage worker by capital, in which the class antagonism between the bourgeoisie and the proletariat is expressed. But not every worker knows from whence this antagonism comes, or on what economic conditions it is based.

I. SOCIAL PRODUCTION AND CAPITALIST APPROPRIATION

It is clear that the class antagonisms of capitalist society must be rooted in the contradictory method of production. In Engels' *Anti-Duhring*, Section III, Chapter 2,¹ there is a short and pointed description of the contradictions of the capitalist method of production, from which we give here the most important passages.

This excerpt from Engels cannot be too carefully studied. We have here the key to the real understanding of all the economic predecessors of capitalism.

"Before capitalistic production, i.e., in the Middle Ages, the system of petty industry obtained generally, based upon the private property of the labourers in their means of production; in the country, the agriculture of the small peasant, freeman or serf; in the towns, the handicrafts organised in guilds. The instruments of labour—land, agricultural implements, the workshop, the tool—were the instruments of labour of single individuals, adapted for the use of one worker, and, therefore, of necessity, small, dwarfish, circumscribed. But, for this very reason they belonged, as a rule, to the producer himself. To concentrate these scattered limited means of production, to

¹ This chapter was also taken by Engels and inserted in his book, *Socialism, Utopian and Scientific* (Allen and Unwin, London), where the quotation is to be found on pages 48-50, 51-56 and 58-59.

enlarge them, to turn them into the powerful levers of production of the present day—this was precisely the historic role of capitalist production and of its upholder, the bourgeoisie. In the fourth section of *Capital*, Marx has explained in detail, how since the fifteenth century this has been historically worked out through the three phases of simple co-operation, manufacture, and modern industry. But the bourgeoisie, as is also shown there, could not transform these puny means of production into mighty productive forces, without transforming them, at the same time, from means of production of the individual into *social* means of production only workable by a collectivity of men. The spinning-wheel, the handloom, the blacksmith's hammer were replaced by the spinning machine, the power-loom, the steam-hammer; the individual workshop, by the factory implying the co-operation of hundreds and thousands of workmen. In like manner, production itself changed from a series of individual into a series of social acts, and the products from individual to social products. The yarn, the cloth, the metal articles that now came out of the factory were the joint product of many workers, through whose hands they had successively to pass before they were ready. No one person could say of them: 'I made that; this is *my* product.'

"But where, in a given society, the fundamental form of production is that spontaneous division of labour which creeps in gradually and not upon any preconceived plan, there the products take on the form of *commodities*, whose mutual exchange, buying and selling, enable the individual producers to satisfy their manifold wants. And this was the case in the Middle Ages. The peasant, e.g., sold to the artisan agricultural products and bought from him the products of handicrafts. Into this society of individual producers, of commodity-producers, the new mode of production thrust itself. In the midst of the old division of labour, grown up spontaneously and upon *no definite plan*, as organised in the factory; side by side with *individual* production appeared *social* production. . . . (pp. 48-50).

". . . In the mediæval stage of evolution of the production of commodities, the question as to the owner of the product of labour could not arise. The individual producer, as a rule, has, from raw material belonging to himself, and generally his own handiwork, produced it with his own

tools, by the labour of his own hands or of his family. There was no need for him to appropriate the new product. It belonged wholly to him, as a matter of course. His property in the product was, therefore, based *upon his own labour*. Even where external help was used, this was, as a rule, of little importance, and very generally was compensated by something other than wages. The apprentices and journeymen of the guilds worked less for board and wages than for education, in order that they might become master craftsmen themselves.

“ Then came the concentration of the means of production and of the producers in large workshops and manufactories, their transformation into actual socialised means of production and socialised producers. But the socialised producers and means of production and their products were still treated, after this change, just as they had been before, i.e., as the means of production and the products of individuals. Hitherto, the owner of the instruments of labour had himself appropriated the product, because, as a rule, it was his own product and the assistance of others was the exception. Now the owner of the instruments of labour always appropriated to himself the product, although it was no longer *his* product but exclusively the product of the *labour of others*. Thus, the products now produced socially were not appropriated by those who had actually set in motion the means of production and actually produced the commodities, but by the *capitalists*. The means of production, and production itself, had become in essence socialised. But they were subjected to a form of appropriation which pre-supposed the private production of individuals, under which, therefore, every one owns his own product and brings it to market. The mode of production is subjected to this form of appropriation, although it abolishes the conditions upon which the latter rests.

“ This contradiction, which gives to the new mode of production its capitalistic character, *contains the germ of the whole of the social antagonisms of to-day*. The greater the mastery obtained by the new mode of production over all important fields of production and in all manufacturing countries, the more it reduced individual production to an insignificant residuum, *the more clearly was brought out the incompatibility of socialised production with capitalistic appropriation*.

2. ANTAGONISM BETWEEN THE PROLETARIAT AND BOURGEOISIE

“The first capitalists found, as we have said, alongside of other forms of labour, wage-labour ready made for them on the market. But it was exceptional, complementary, accessory, transitory wage-labour. The agricultural labourer, though, upon occasion, he hired himself out by the day, had a few acres of his own land on which he could at all events live at a pinch. The guilds were so organised that the journeyman of to-day became the master of to-morrow. But all this changed, as soon as the means of production became socialised and concentrated in the hands of capitalists. The means of production, as well as the product, of the individual producer became more and more worthless; there was nothing left for him but to turn wage-worker under the capitalist. Wage-labour, aforesaid the exception and accessory, now became the rule and basis of all production; aforesaid complementary, it now became the sole remaining function of the worker. The wage-worker for a time now became a wage-worker for life. The number of these permanent wage-workers was further enormously increased by the breaking-up of the feudal system that occurred at the same time, by the disbanding of the retainers of the feudal lords, the eviction of the peasants from their homesteads, etc. The separation was made complete between the means of production concentrated in the hands of the capitalists on the one side, and the producers, possessing nothing but their labour-power on the other. *The contradiction between socialised production and capitalistic appropriation manifested itself as the antagonism of proletariat and bourgeoisie.*

3. ORGANISATION OF PRODUCTION IN THE INDIVIDUAL FACTORY AND ANARCHY OF PRODUCTION IN SOCIETY AS A WHOLE

“We have seen that the capitalistic mode of production thrust its way into a society of commodity-producers, of individual producers, whose social bond was the exchange of their products. But every society, based upon the production of commodities, has lost control over its

own social inter-relations. Each man produces for himself with such means of production as he may happen to have, and for such exchange as he may require to satisfy his remaining wants. No one knows how much of his particular article is coming on the market, nor how much of it will be wanted. No one knows whether his individual product will meet an actual demand, whether he will be able to make good his cost of production or even to sell his commodity at all. Anarchy reigns in socialised production (pp. 51-56).

. . . But with the extension of the production of commodities, and especially with the introduction of the capitalist mode of production, the laws of commodity-production, hitherto latent, came into action more openly and with greater force.

“It became apparent that the production of society at large was ruled by absence of plan, by accident, by anarchy; and this anarchy grew to greater and greater height. But the chief means by aid of which the capitalist mode of production intensified this anarchy of socialised production, was the exact opposite of anarchy. It was the increasing organisation of production, upon a social basis, in every individual productive establishment. By this, the old, peaceful, stable condition of things was ended. Wherever this organisation of production was introduced into a branch of industry, it brooked no other method of production by its side. The field of labour became a battle-ground. The great geographical discoveries, and the colonisation following upon them, multiplied markets and quickened the transformation of handicraft into manufacture. The war did not simply break out between the individual producers of particular localities. The local struggles begat in their turn national conflicts, the commercial wars of the seventeenth and the eighteenth centuries.

“Finally, modern industry and the opening of the world-market made the struggle universal, and at the same time gave it an unheard-of virulence. Advantages in natural or artificial conditions of production now decide the existence or non-existence of individual capitalists, as well as of whole industries and countries. He that falls is remorselessly cast aside. It is the Darwinian struggle of the individual for existence transferred from Nature to society with intensified violence. The conditions of existence natural to the animal appear as the final term of human development. The contradiction between socialised production and capitalistic

appropriation now presents itself as *an antagonism between the organisation of production in the individual workshop and the anarchy of production in society generally.*"

The handicraft commodity production in the mediæval town is, like commodity production in general, already characterised by the *unorganised social division of labour*. In commodity production, goods are produced not to satisfy one's own needs, but as commodities, that is, for exchange, for their exchange value. The individual commodity producer also performs work for others, that is *social labour*. The shoemaker can only produce shoes because the peasant produces bread and meat for him. However, this division of labour between the individual producers is not the consequence of any plan. Each commodity producer produces as a self-sufficient individual, independent of the whole mass of other producers, whose business dealings are not ruled by a previously accepted social plan of division of labour. In spite of this, there was, as yet, no contradiction between *social production and private appropriation*. "The instruments of labour were the instruments of labour of single individuals, only adapted for the use of one individual, and therefore of necessity, small, dwarfish and circumscribed. But for this very reason, they belonged as a rule to the producer himself" (Engels, *ibid.*).

Capitalism created new social instruments of labour which can no longer be set in motion by individuals. They require masses of producers and are also adapted not for individual but for social use. It therefore creates the pre-requisites for the ending of the old forms of private appropriation. In spite of this the old forms of private appropriation continue to exist. In the capitalist methods of production it is, however, no longer simply private appropriation, but private appropriation of *socially produced products of labour*. This contradiction gives capitalist production its *capitalist* character. This is the deep economic root of the *class antagonisms* within capitalism. So long as the methods of production rest in this contradiction, they remain

capitalist methods of production. And no essential difference takes place if the majority of private capitalist appropriators transform themselves into associated (united) capitalists, as, for example, in the case of joint stock companies, trusts, etc., or by nationalisation and municipalisation by the bourgeois (capitalist) State or municipal authority.

We will deal in greater detail later with the social-democratic opinions, which state that modern capitalism is already the beginning of socialism, because the State (the bourgeois capitalist State) thrusts itself into the private market together with united concerns, etc. For example, according to *F. Naphtali*, this "Final Capitalism" is already no longer capitalism, but "Early Socialism." In order to make clear to the reader the political importance of the above-quoted statement by Engels, we will make the following remarks about the question of modern monopolist capitalism here.

First. The *anarchy of production* is not lessened by the increased organisation of production on the capitalist basis, but *strengthened*. "The chief instrument through which capitalist methods of production increases the anarchy in social production," says Engels, "is *precisely the opposite of anarchy*: the increased *organisation* of production, as social production, in each individual establishment of production." From this, it follows that the combination of big factories in trusts, cartels and so on, must increase still further the anarchy of social production. As a consequence of concentration, the social character of the instruments of labour is constantly developed to a higher and higher degree, and therefore the antagonism between the organisation of production in the individual large-scale factories, and the anarchy of production in society as a whole becomes much sharper. The most glaring example of this is the world economic crisis 1929-32.

Secondly, the fundamental contradiction in the capitalist methods of production, between social-

production and capitalist appropriation, consist in that the product of the labour of all the social producers, the working class, is appropriated by the capitalists, the *non-producing* class. The decisive question is not whether or not the individual factory is owned by one or by several capitalists. What is decisive is that the socially used means of production are not the *property of society as a whole*, and nationalisation by the Capitalist State does not eliminate this fundamental contradiction in the capitalist methods of production. Let us hear what Engels says in this connection in another part of the chapter quoted above :

“But of late, since Bismarck went in for State-ownership of industrial establishments, a kind of spurious Socialism, degenerating, now and again, into something of flunkeyism, that without more ado declares *all* State-ownership, even of the Bismarckian sort, to be socialistic. Certainly, if the taking over by the State of the tobacco industry is socialistic, then Napoleon and Metternich must be numbered among the founders of Socialism. If the Belgian State, for quite ordinary political and financial reasons, itself constructed its chief railway lines ; if Bismarck, not under any economic compulsion, took over for the State the chief Prussian lines, simply to be the better able to have them in hand in case of war, to bring up the railway employees as voting cattle for the Government, and especially to create for himself a new source of income independent of parliamentary votes—this was, in no sense, a socialistic measure, directly or indirectly, consciously or unconsciously. Otherwise, the Royal Maritime Company, the Royal porcelain manufacture, and even the regimental tailor of the army would also be socialistic institutions.” (p. 70.)

When Karl Kautsky was still a Marxist, at the end of the nineteenth century, he made an annihilating criticism of Revisionism, and the present-day social-democratic theories of Economic Democracy (class collaboration and industrial peace) as the peaceful growth of capitalism into socialism, in the following words :

“Since David has discovered a bit of Socialism in the Tariff League, one must say that many of our comrades find Socialism everywhere in present society—in every

sewer, in every public urinal. Should this, indeed, very harmless and convenient method of transforming capitalist society into a socialist society become popular, then it will be time for the Social-Democrats to call themselves Communists again, in order to differentiate themselves from these kind of socialists, as the authors of the *Communist Manifesto* did."—See *Neue Zeit*, December 18th, 1898: "Two Critics of My Agrarian Question."

This convenient method of transforming capitalism into socialism has become to-day the official theory of Social-Democracy. Those who followed the advice of the then Kautsky and differentiated themselves from "these kind of socialists," whose theoretician Kautsky now is, are the Communists.

"It is always the direct relation of the owners of the conditions of production to the direct producers, which reveals the innermost secret, the hidden foundation of the entire social construction, and with it the political form of the relations between sovereignty and dependence, in that of the corresponding form of the State."—Marx, *Capital*, Vol. III, chap. XLVII, p. 919, Kerr edition.

The innermost secret, the hidden foundation of capitalism is this—that the direct producers—the working class, the social producers, are not owners of the social conditions of production. Therefore, so long as the social means of production are not transformed into actual social property, i.e. into the *collective property of the proletarian State*, so long does capitalism remain—capitalism, so long does the contradiction between socialised production and capitalist appropriation continue to exist as the fundamental contradiction of capitalism.

If we have understood this contradiction thoroughly, then we have a sure basis for a really Marxist investigation of the economic processes within capitalism.

QUESTIONS

1. How far does capitalism turn all the means of production into social means of production; production into social production; and products into social products?

2. What distinguishes the appropriation of products, by the owner of the means of production, in the commodity production of the Middle Ages, from capitalist appropriation?
3. Why is it that, with the transformation of the means of production into social means of production, and of individual production into social production, private property has nevertheless not been transformed into social property?
4. What is the fundamental contradiction in capitalism?

II. THE COMMODITY AND ITS VALUE

We begin our investigation of the capitalist method of production with an investigation of the commodity, for the following reasons:

First. It is in the commodity that the contradictions of commodity production find their simplest material expression.

“The wealth of those societies in which the capitalist mode of production prevails presents itself as ‘an immense accumulation of commodities,’ its unit being a single commodity. Our investigation must therefore begin with the analysis of a commodity.”¹

With these words Marx begins *Capital*. The commodity form is the elementary form of capitalist wealth, the “economic cell form” of bourgeois society itself, as Marx states in the introduction to *Capital*. Why and in what sense is this true? That the wealth of capitalist society appears as a “tremendous accumulation of commodities” is obvious and needs no proof. But in what sense can one speak of the commodity form as the “economic cell form” of bourgeois society?

In capitalist society nearly all products of labour take the form of commodities. The economic relationships of members of capitalist society are adjusted through commodity relationships. Capitalists buy from

¹ Karl Marx, *A Contribution to the Critique of Political Economy*. N.B.—All references to *Capital*, Vol. I, are given from the Kerr 1918 Edition. All references to *Capital* in this section are from the first chapter of Vol. I.

one another and sell to one another, commodities. Money itself, as we shall show in more detail later, is in essence a commodity. Capitalist exploitation takes place in the form of commodity relationships; the worker sells his labour-power as a commodity; he produces surplus value for the capitalists, in that he produces commodities; he buys his food, etc., as commodities.

Let us take, finally, the grossest example of the contradictions of capitalism—crises. These arise as a result of over-production; by which we mean, under capitalist conditions, a “relative” over-production, that is to say, over-production only in the sense that there do not exist sufficient purchasers able to pay. In this over-production, what is “over-produced,” produced in “too great quantities”? Commodities! The commodity form is therefore a junction, in which the most different economic relationships of capitalist production are connected. As the basic, simple embodiment of productive relationships, the commodity form is therefore the economic cell form of bourgeois society.

Secondly, as the first section already shows, commodity production is the necessary historical prerequisite, and forms the general basis of the capitalist method of production. It was no accident that from the commodity production of the Middle Ages arose capitalist commodity production. Historical experience has shown that where commodity production is relatively developed, there sooner or later capitalist commodity production must necessarily be created.

These are the reasons for beginning with the analysis of the commodity.

I. USE-VALUE AND VALUE

“A commodity is, in the first place, an object outside us, a thing that by its properties satisfies human wants of some sort or another. The nature of such wants, whether, for instance, they spring from the stomach or from fancy,

makes no difference. Neither are we here concerned to know how the object satisfies these wants, whether directly as means of subsistence, or indirectly as means of production." (*Capital*, p. 41.)

"The utility of a thing makes it a use-value. But this utility is not a thing of air. Being limited by the physical properties of the commodity, it has no existence apart from that commodity. A commodity, such as iron, corn or a diamond, is therefore, so far as it is a material thing, a use-value, something useful. This property of a commodity is independent of the amount of labour required to appropriate its useful qualities. . . . Use-values constitute the substance of all wealth, whatever may be the social form of that wealth." (*Capital*, p. 42.)

Every commodity must, then, be a *useful thing*. But it is not this quality which makes it a commodity. The product only takes on the commodity form when it is not produced for individual use, but *for exchange*, and thereby receives a social character.

"In the form of society we are about to consider, they are, in addition, the material depositories of exchange value."

"Exchange value, at first sight, presents itself as a quantitative relation, as the proportion in which values in use of one sort are exchanged for those of another sort." (*Capital*, p. 43.)

Exchange value does not consist merely in the attribute of the commodity, that it is exchanged for other commodities, but much more in the fact that a *definite* sum of one commodity is exchanged for just as definite a sum of another commodity. The question must therefore arise how this quantitative relation, exchange value, is determined.

"A given commodity, e.g., a quarter of wheat, is exchanged for x blacking, y silk, or z gold, etc.—in short for other commodities in the most different proportions. Instead of one exchange value, the wheat has, therefore, a great many. But since x blacking, y silk, or z gold, etc., each represent the exchange value of one quarter of wheat, x blacking, y silk, z gold, etc., must as exchange values be replaceable by each other, or equal to each other." (*Capital*, p. 43.)

It is clear that the basis of the equality of the commodities which are being exchanged is not to be found in their use-value ; commodities are exchanged for each other not because they are alike but because they represent *different use-values*. What then is common to all commodities which leads to their equality in exchange ?

“ If then we leave out of consideration the use-value of commodities, they have only one common property left, that of being products of labour. But even the product of labour itself has undergone a change in our hands. If we make abstraction from its use-value, we make abstraction at the same time from the material elements and shapes that make the product a use-value ; we see in it no longer a table, a house, yarn, or any other useful thing. Its existence as a material thing is put out of sight. Neither can it any longer be regarded as the product of the labour of the joiner, the mason, the spinner, or of any other definite kind of productive labour. Along with the useful qualities of the products themselves, we put out of sight both the useful character of the various kinds of labour embodied in them, and the concrete forms of that labour ; there is nothing left but what is common to them all ; all are reduced to one and the same sort of labour, human labour in the abstract.” (pp. 44-45) . . . (leaving use-value out of account, products of labour are therefore) “ a mere congelation of homogeneous human labour, of labour-power expended without regard to the mode of its expenditure. All that these things now tell us is, that human labour is embodied in them. When looked at as crystals of this social substance common to them all, they are—Values.” (p. 45.)

“ Therefore, the common substance that manifests itself in the exchange value of commodities, whenever they are exchanged, is their value.” (p. 45.)

“ A thing can be a use-value without having value. This is the case whenever its utility to man is not due to labour. Such are air, virgin soil, natural meadows, etc. A thing can be useful, and the product of human labour, without being a commodity. Whoever directly satisfies his wants with the produce of his own labour, creates, indeed, use-values, but not commodities. In order to produce the latter, he must not only produce use-values, but use-values

for others, social use-values. Lastly nothing can have value, without being an object of utility. If the thing is useless, so is the labour contained in it; the labour does not count as labour, and therefore creates no value." (pp. 47-8.)

2. THE TWO-FOLD CHARACTER OF THE LABOUR REPRESENTED IN COMMODITIES

"At first sight a commodity presented itself to us as a complex of two things—use-value and exchange-value. Later on, we saw also that labour, too, possesses the same two-fold nature; for, so far as it finds expression in value, it does not possess the same characteristics that belong to it as a creator of use-values. I was the first to point out and to examine critically this two-fold nature of the labour contained in commodities. As this point is the pivot on which a clear comprehension of political economy turns, we must go more into detail.

"Let us take two commodities such as a coat and ten yards of linen, and let the former be double the value of the latter, so that, if ten yards of linen= W , the coat= $2W$.

"The coat is a use-value that satisfies a particular want. Its existence is the result of a special sort of productive activity, the nature of which is determined by its aim, mode of operation, subject, means and result. The labour, whose utility is thus represented by the value in use of its product, or which manifests itself by making its product a use-value, we call useful labour. In this connexion we consider only its useful effect.

"As the coat and the linen are two qualitatively different use-values, so also are the two forms of labour that produce them, tailoring and weaving. Were these two objects not qualitatively different, not produced respectively by labour of different quality, they could not stand to each other in the relation of commodities. Coats are not exchanged for coats, one use-value is not exchanged for another of the same kind." . . . "In the use-value of each commodity there is contained useful labour, i.e., productive activity of a definite kind and exercised with a definite aim. Use-values cannot confront each other as commodities, unless the useful labour embodied in them is qualitatively different in each of them." . . .

“ . . . Anyhow, whether the coat be worn by the tailor or by his customer, in either case it operates as a use-value. Nor is the relation between the coat and the labour that produced it altered by the circumstance that tailoring may have become a special trade, an independent branch of the social division of labour. Wherever the want of clothing forced them to it, the human race made clothes for thousands of years, without a single man becoming a tailor. But coats and linen, like every other element of material wealth that is not the spontaneous produce of nature, must invariably owe their existence to a special productive activity, exercised with a definite aim, an activity that appropriates particular nature-given materials to particular human wants. So far therefore, as labour is a creator of use-value, is useful labour, it is a necessary condition, independent of all forms of society for the existence of the human race; it is an eternal nature-imposed necessity, without which there can be no material exchanges between man and Nature, and therefore no life.” (pp. 48-50.)

“ . . . Let us now pass from the commodity considered as a use-value to the value of commodities. . . . So far as they are values, the coat and the linen are things of a like substance, objective expressions of essentially identical labour. But tailoring, and weaving are, qualitatively, different kinds of labour. . . . Productive activity, if we leave out of sight its special form, viz., the useful character of the labour, is nothing but the expenditure of human labour-power. Tailoring and weaving, though qualitatively different productive activities, are each a productive expenditure of human brains, nerves and muscles, and in this sense are human labour. They are but two different modes of expending human labour-power. . . . But the value of a commodity represents human labour in the abstract, the expenditure of human labour in general.” (pp. 50-51.)

“ . . . Just as, therefore, in viewing the coat and linen as values, we abstract from their different use-values, so it is with the labour represented by those values: we disregard the difference between its useful forms, weaving and tailoring. . . . Tailoring and weaving are necessary factors in the creation of the use-values, coat and linen, precisely because these two kinds of labour are of different qualities; but only in so far as abstraction is made from special qualities, only in so far as both possess the same

quality of being human labour, do tailoring and weaving form the substance of the values of the same articles." (p. 52.)

Marx stated long ago that the value of the commodity is determined by the labour necessary for its production (the bourgeois economists, Adam Smith (1776) and Ricardo (1817) also stated this). The historical contribution of Marx is his discovery of the two-fold character of the labour represented in the commodity. Marx himself wrote to Engels on August 24th, 1867 (Marx-Engels *Gesamtausgabe*, Part 3, vol. iii, p. 410) :

" The best thing in my book is first (and on this depends all understanding of the facts) *the two-fold character of labour* according to whether it is expressed in use-value or exchange-value, which is brought out at once in the *first* chapter."

As we will show in the following lessons, the understanding of capitalist exploitation, of wages, of crises, etc., also depends on this. But on the other hand, the two-fold character of labour cannot be properly understood if it is not taken in conjunction with the contradiction in commodity production itself. Without this connection Marx's teaching of the two-fold character of labour becomes a lifeless formula. We will now consider another question following naturally from Marx's teachings on value, the answer to which shows clearly the necessity of the connection between the two-fold character of the labour which produces commodities and the contradictions of commodity production. The question is, how is the amount of value determined, how is value measured ?

3. THE VALUE OF A COMMODITY

" A use-value, or useful article, therefore, has value only because human labour in the abstract has been embodied or materialised in it. How, then, is the magnitude of this value to be measured? Plainly, by the quantity of the value-creating substance, the labour, contained in the article. The quantity of labour, however, is measured by

its duration, and labour-time in its turn finds its standard in weeks, days and hours.

“Some people might think that if the value of a commodity is determined by the quantity of labour spent on it, the more idle and unskilful the labourer, the more valuable would his commodity be, because more time would be required in its production. The labour, however, that forms the substance of value, is homogeneous human labour, expenditure of one uniform labour-power. The total labour-power of society, which is embodied in the sum total of the values of all commodities produced by that society, counts here as one homogeneous mass of human labour-power, composed though it be of innumerable individual units. Each of these units is the same as any other, so far as it has the character of the average labour-power of society, and takes effect as such; that is, so far as it requires for producing a commodity, no more time than is needed on an average, no more than is socially necessary. The labour-time socially necessary is that required to produce an article under the normal conditions of production, and with the average degree of skill and intensity prevalent at the time. The introduction of power looms into England probably reduced by one half the labour required to weave a given quantity of yarn into cloth. The hand-loom weavers, as a matter of fact, continued to require the same time as before; but for all that, the product of one hour of their labour represented after the change only half an hour’s social labour, and consequently fell to one half its former value.

“We see then that, that which determines the magnitude of the value of any article is the amount of labour socially necessary, or the labour-time socially necessary for its production. Each individual commodity, in this connexion, is to be considered as an average sample of its class. Commodities, therefore, in which equal quantities of labour are embodied, or which can be produced in the same time, have the same value. The value of one commodity is to the value of any other, as the labour-time necessary for the production of the one is to that necessary for the production of the other. ‘As values, all commodities are only definite masses of congealed labour-time.’

“The value of a commodity would therefore remain constant, if the labour-time required for its production also remained constant. But the latter changes with every

variation in the productiveness of labour. This productiveness is determined by various circumstances, amongst others, by the average amount of skill of the workmen, the state of science, and the degree of its practical application, the social organisation of production, the extent and capabilities of the means of production, and by physical conditions. For example, the same amount of labour in favourable seasons is embodied in eight bushels of corn, and in unfavourable, only in four. The same labour extracts from rich mines more metal than from poor mines. Diamonds are of very rare occurrence on the earth's surface, and hence their discovery costs, on an average, a great deal of labour-time. Consequently much labour is represented in small compass. Jacob doubts whether gold has ever been paid for at its full value. This applies still more to diamonds. According to Eschwege, the total produce of the Brazilian diamond mines for the eighty years, ending in 1823, had not realised the price of one and a half years' average produce of the sugar and coffee plantations of the same country, although the diamonds cost much more labour, and therefore represented more value. With richer mines, the same quantity of labour would embody itself in more diamonds and their value would fall. If we could succeed at a small expenditure of labour, in converting carbon into diamonds, their value might fall below that of bricks. In general, the greater the productiveness of labour, the less is the labour-time required for the production of an article, the less is the amount of labour crystallised in that article, and the less is its value; and vice versa, the less the productiveness of labour, the greater is the labour-time required for the production of an article, and the greater is its value. The value of a commodity, therefore, varies directly as the quantity, and inversely as the productiveness, of the labour incorporated in it." (pp. 45-7, *ibid.*)

The value of the commodity, therefore, is not determined by the individual but by the embodied abstract, i.e. human socially necessary labour in it, in which simple, human, average labour represents the unit. Skilled complicated labour, on the other hand, must be taken as simple labour, to a certain extent condensed and multiplied. Value, therefore, must be measured by labour-time.

But what happens in fact? Is the value of commodi-

ties really measured by labour-time? Everyone knows that this is *not* the case. When commodities are exchanged, or sold for money, no questions are asked with regard to the labour-time expended in the manufacture of the commodity. Further, no one knows how much labour-time there is in the commodities produced by it. The joiner, for example, may know how much time he needed to turn wood into a table, but he cannot know from the outset, how much *socially* necessary labour-time is demanded by the job, nor does he know how much labour-time there is embodied in the wood, the saw and the other means of production. All these questions do not interest him in the slightest. What interests him the most is the questions, how much the material and the instruments of labour have *cost*, how much time he needs for the working up of the material, how much *money* he will get for the table, how much and what *other commodities* he will be able to *buy* with it. We can see that the question of the direct measurement of value plays no role in his calculations.

Naturally the reader will ask: If this is so, if in reality the value of the commodity is not directly measured, if in exchange, the labour-time embodied in the commodity is not considered at all by those carrying out the exchange, what happens to the Marxist theory of value, with its contention that the value of a commodity is determined by labour?

However, the Marxist theory of value is the only economic teaching which is able to explain exchange and all the other economic phenomena scientifically. The members of a society which produces commodities may have no conception of the nature of the value of a commodity; but none the less labour remains the chief factor which regulates the exchange of commodities. Only this does not come to light, because the division of labour is not organised in a planned way; because, as has already been shown, the individual producer of commodities, performs his work, not as direct social labour, but as private, independent, self-supporting labour; because under capitalism, the

social means of production are in private hands and are not social property; because society is thereby divided in two, and the labour relations between individual members of society are not carried on directly, but in a *roundabout* way, through exchange. It follows, therefore, that the actual relations of production do not appear openly, but must express themselves indirectly, must take on "manifestations," which present in a perverted form the nature of the substance contained in them.

In order to illustrate this, we will compare a commodity producing society and a society in which the product of labour does not have the commodity form.

But first, the questions referring to the second section should be answered, and the second section should be re-read with these questions in view.

QUESTIONS

1. What is use-value?
2. Is use-value dependent on the social form of production, on the method of production?
3. What is exchange value? What is value?
4. Why is value and not use-value the substance of exchange value?
5. What is concrete and what is abstract labour?
6. Are these two different kinds of labour, or two qualities of one and the same labour?
7. Why is the value of the commodity determined not by individual labour-time, but by the labour-time socially necessary to produce the commodity?
8. What effect has an alteration in the productive power of labour on the amount of the value of a commodity?

III. VALUE AS THE SPECIAL MANIFESTATION OF SOCIAL LABOUR IN COMMODITY-PRODUCING SOCIETY

(The conception of value as a historical, transitory category [phenomenon])

In the preceding section we arrived at an apparent

contradiction: the value of commodities is determined by the labour embodied in them, but is not expressed as a quantity of labour (measured in labour-time).

“The whole mystery of commodities, all the magic and necromancy that surrounds the products of labour as long as they take the form of commodities, vanishes therefore, as soon as we come to other forms of production.” (p. 87.) . . . Let us now transport ourselves to the European Middle Ages shrouded in darkness. Here, instead of the independent man, we find everyone dependent, serfs and lords, vassals and suzerains, laymen and clergy. Personal dependence here characterises the social relations of production just as much as it does the other spheres of life organised on the basis of that production. But for the very reason that personal dependence forms the ground work of society, there is no necessity for labour and its products to assume a fantastic form different from their reality. They take the shape, in the transactions of society, of services in kind and payments in kind. Here the particular and natural form of labour,¹ and not, as in a society based on production of commodities, its general abstract form, is the immediate social form of labour. Compulsory labour is just as properly measured by time, as commodity-producing labour; but every serf knows that what he expends in the service of his lord, is a definite quantity of his own personal labour-power. The tithe to be rendered to the priest is more matter of fact than his blessing. No matter, then, what we may think of the parts played by the different classes of peoples themselves in this society, *the social relations between individuals in the performance of their labour appear at all events as their own mutual personal relation, and are not disguised under the shape of social relations between the products of labour.*²

“For an example of labour in common or directly associated labour, we have no occasion to go back to that spontaneously developed form which we find on the threshold of the history of all civilised races. We have one close at hand in the patriarchal industries of a peasant family, that produces corn, cattle, yarn, linen and clothing for home use. These different articles are, as regards the

¹ *i.e.* Also the exchange value³ of the product created by the “special” concrete useful labour.

² All emphasis ours.

family, so many products of its labour, but as between themselves, they are not commodities. The different kinds of labour, such as tillage, cattle tending, spinning, weaving and making clothes, which result in the various products, are in themselves, and such as they are, direct social functions, because functions of the family, which just as much as a society based on the production of commodities, possesses a spontaneously developed system of division of labour. The distribution of the work within the family, and the regulation of the labour-time of the several members depend as well upon differences of age and sex as upon natural conditions varying with the seasons. The labour-power of each individual, by its very nature, operates in this case merely as a definite portion of the whole labour-power of the family, and therefore the measure of the expenditure of individual labour-power by its duration appears here by its very nature as a social character of their labour.

“ Let us now picture to ourselves, by way of change, a community of free individuals, carrying on their work with the means of production in common, in which the labour-power of all the different individuals is consciously applied as the combined labour-power of the community. . . . The total product of our community is a social product. One portion serves as fresh means of production and remains social. But another portion is consumed by the members as means of subsistence. A distribution of this portion amongst them is consequently necessary. The mode of this distribution will vary with the productive organisation of the community, and the degree of historical development attained by the producers. We will assume, but merely for the sake of a parallel with the production of commodities, that the share of each individual producer in the means of subsistence is determined by his labour-time. Labour-time would, in that case, play a double part. Its apportionment in accordance with a definite social plan maintains the proper proportion between the different kinds of work to be done and the various wants of the community. On the other hand, it also serves as a measure of the portion of the common labour borne by each individual and of his share in the part of the total product destined for individual consumption. *The social relations of the individual producers, with regard both to their labour and to its products, are in this case perfectly simple and intelligible,*

and that with regard not only to production but also to distribution." (*Capital*, Vol. I, pp. 88-91.)

In all these forms of production, in which the product of labour does not take on the commodity form, a *common* characteristic can be noted: the social conditions are direct, immediate relations between men. In the feudal society of the Middle Ages relationships are those of direct personal dependence which appear open and unconcealed. In the "Union of Free Men," in Socialism, there is also dependence, but of a fundamentally different kind—not the personal dependence of one man on another who dominates him, but the mutual dependence of all members of society, themselves consciously free members of the whole collective organisation, a collective organisation in which the interest of the individual does not conflict with that of the whole, but in which the interest of each one and the interest of the whole are completely fused. In Socialism the personal, individual labour of each one is, from the beginning, direct social labour.

In commodity production on the other hand, individual labour is not, from the beginning, direct social labour, because society itself is divided up into independent commodity producers. Here the producers meet one another in social relationships through commodity exchange, and by this means only the social character of labour is expressed. These are not direct relationships of individuals to society as a whole, but social relations which are connected only as individual relations between individual, "independent" members of society. And what is decisive here is, that men stand in relation to one another as members of society, only *indirectly*, only through the relationships of their commodities, through exchange relationships.

The actual content of exchange relationships is productive relationships. Can the quantity of socially necessary labour contained in the commodity be expressed as a quantity of labour itself, in labour-time? By no means! If men are only related socially

through commodities, through things, the social labour must also be expressed in things, and therefore the labour contained in a commodity is expressed not in labour hours, but by means of another commodity.

“ When I say,” wrote Engels in *Anti-Duhring*, “ that a commodity has this fixed value, I say (1) that it is a socially useful product ; (2) that it is produced by a private person for private profit ; (3) because while it is a product of private labour, it is, at the same time, unconsciously and involuntarily a social product and exchanges socially according to a definite social standard ; (4) this standard is not expressed in terms of labour, in so many hours, but in another commodity. If, therefore, I say that this clock is worth this piece of cloth and that they are both worth fifty marks, I say that in the clock, the cloth and the gold there is an equal amount of social labour. I also affirm that the amounts of social labour-time in them are socially measured and found to be equal, not directly and absolutely however, as one measures labour-time in hours or days, but in a roundabout fashion, relatively, by means of exchange. I cannot therefore express this certain amount of labour-time in labour hours, since their number is not known to me, but I can express it relatively in terms of another commodity, which has the same amount of labour-time incorporated in it. The clock is worth as much as the price of cloth. . . . (pp. 251-2.)

“ As soon as society comes into direct possession of the means of production and undertakes production as a society, the labour of each, however distinctive its special useful character may be, becomes direct social labour. The amount of social labour existing in a product does not then have to be established in a roundabout way: daily experience shows the average amount of human labour necessary. Society can easily determine how many hours of labour there are in a steam engine, how many in a hectolitre of wheat of last harvest, how many in a hundred square yards of a given quality. It cannot therefore happen that the quantities of labour embodied in commodities, which will then be absolutely and directly known, will be expressed in terms of a measure which is only relative, fluctuating, inadequate and absolute, in a third product, and not in their natural, adequate and absolute measure, time. . . .

“ Under the foregoing conditions, then, society ascribes

no value to products. The simple fact that a hundred yards of cloth have taken a thousand hours in their production need not be expressed in any distorted or foolish fashion: they would be worth a thousand labour hours. Society would then know how much labour each object of use required for its creation. It would have to direct the plan of production in accordance with the means of production to which labour-force also belongs. The advantageous effects of the different objects of use and their relations to each other and the creation of the necessary means of labour would be the sole determinants of the plan of production. People make things very easily without any interference on the part of the much discussed 'value.''' (pp. 254-5.)¹

The nature of value does not consist simply in the fact that labour must be expended in order to produce a use-value, a useful thing. That has always been necessary, and will be necessary as long as mankind exists. The nature of value is based on the fact that the product of labour becomes a commodity, *that the labour socially necessary for the production of the product becomes incorporated in the commodity*, i.e., is transformed into the value of a *commodity*, and that this labour is not directly expressed, but is expressed in a roundabout way in other commodities. This phenomenal form we call Exchange value.

We see now how close is the connection between the Marxist theory of value and the analysis of the contradictions in commodity production. The underlying contradiction in commodity production *must* present social labour as commodity value. On the other hand, value cannot be understood, without tracing it back to this fundamental contradiction. Value, therefore, is a specific phenomenon peculiar only to commodity production, in the productive relations connected with commodity exchange, an historically limited economic category.

¹ Engels' *Landmarks of Scientific Socialism*, Kerr Edition, 1907

QUESTIONS

1. Why is labour in commodity-producing society not direct social labour?
2. How far is value an historical transitory phenomena?

IV. THE FORMS OF VALUE. MONEY AND PRICE

I. THE RELATIVE FORM OF VALUE AND THE EQUIVALENT FORM

We saw that value, i.e., the labour incorporated in the commodity, is common to all commodities, and is expressed in exchange relations or in the exchange value of the commodity. *Exchange value therefore is the outward form of value.*

Let us examine this form further. As has already been shown, value cannot be expressed directly in the amount of labour. Let us take the following exchange relation: ten yards of linen is exchanged for one coat, or, ten yards of linen=one coat.

The value of ten yards of linen is here expressed in relation to the coat. The linen takes on the *relative form of value*, i.e., its value is expressed in relation to another commodity. But does it follow that the value of the other commodity, the coat, is given by this? The use-value of the coat expresses here the value of the linen. It cannot be otherwise, because relations between men, as was shown, take on the form of the relations between things, that is, in this case, use-values. In its function as the expression of the value of the linen, the coat plays the role of equivalent value. It takes on the *equivalent form* ("equal value," reflexion of value). It does not express its own value but the value of the linen. Exchange expressed as one coat=one coat would be senseless. If we want on the contrary to express the value of the coat in the exchange relation: ten yards of linen=one coat, we can only express this in *its* exchange value, namely in ten yards of linen.

Immediately we do this, the coat ceases to be an equivalent, but its equivalent, i.e., its expression of value, is now ten yards of linen. If the value of the coat itself is expressed, the coat has the relative form of value, because its value is relative, is expressed in relation to linen.

Therefore, those commodities, whose value is expressed in the use-value of another commodity, have the relative form of value; those commodities, which express through their use-value the value of another commodity, have the equivalent form.

2. THE DEVELOPMENT OF THE FORMS OF VALUE

In capitalism, exchange is not a direct exchange of commodities. Commodities are sold and bought, and the value of all commodities is expressed in terms of money. But money is not something which is forced on the exchange of commodities, artificially, from the outside; it is necessarily developed from exchange itself. And, in actual fact, in the history of the social relations between men, the first historical stage of commodity exchange is the accidental exchange of use-values, which were not produced originally as commodities, but were casually exchanged as surplus. To this stage of economic development corresponds the *simple, isolated, elementary or accidental form of value*, which we analysed in the first part of this section. (Ten yards of linen=one coat.) In the simple or accidental form of value, value in the relative form has only a *single and accidental equivalent*.

In the course of further development, surplus is no longer produced accidentally, but consciously for exchange. Every commodity for exchange is no longer exchanged accidentally for one other commodity. It can be exchanged for a large number of other commodities. Each commodity, therefore, has not one accidental equivalent, but many equivalents. This stage of development corresponds to the so-called *total or expanded form of value*.

In the expanded form of value, each commodity can

find expression not only in one, but in many other commodities. The fact that iron, for example, expresses its value in grain, cloth, hides, cattle, etc. ; that from the point of view of the value of the commodity it does not matter in what other commodities this value is expressed, this fact emphasises that value is fundamentally something other than use-values, that the labour represented in value is of quite a different nature from the labour which produces use-value. The common, human, abstract form of labour is here clearly brought out in contrast to its private, concrete-useful form. The separation of use-value from value and therefore the value from itself, finds its expanded expression in this total form. From this arises the Marxist term "expanded form of value."

The further development of exchange and the social division of labour drives forward the development of the form of value. If exchange has already reached a certain degree of development, then further development is hindered by the lack of a common means of exchange.

Take the following example : A carpenter has made a table and wants to exchange it for boots, because at the moment he needs boots. But he finds a shoemaker in the market who is offering a pair of boots, not in exchange for a table, but for a suit. It is clear that the exchange in this case will not be concluded. If this is repeated frequently, the carpenter will grow so tired of the process that he will try and make boots for himself. In this way the division of labour is not further developed, but on the contrary, goes backward, and with it also the capacity of society to develop its productive forces.

But if on the market there is a commodity which, through various causes, is very frequently exchanged, then exchange with this commodity is essentially made easier and accelerated. This commodity begins to serve as a *general means of exchange*. The carpenter exchanges his table for this commodity, and offers it to the shoemaker, who accepts it willingly because he

can exchange it once more for the suit. It is easy to see that at the present time *money* plays the role of the means of exchange.

It would be fundamentally false—and not in accord with historical facts—to presume that commodity producers consciously, by means of a social contract, created this common means of exchange, or that it was decreed by the State. The growth of the common means of exchange was accomplished in a natural way. Above all it was a commodity which, like all other commodities, must have use-value and value, but which at the same time was the most frequently exchanged.

At the same time this development leads to a change in the form of value. In the expanded form of value each commodity has many equivalents. Compared with the previous accidental form of value this was an advantage, but it was nevertheless inadequate to the needs of the exchange of commodities which was developing, because the whole mass of commodities had still no *universal* equivalent; that is, no universal expression of value; no universal form of value. The separation of *one* commodity as a universal means of exchange means simultaneously the separation of a universal equivalent, of a commodity which reflects and expresses the value of all other commodities. The total or expanded form of value develops itself into the *universal form of value*. Here all commodities are only in the relative form of value, whilst a single commodity is in the equivalent form, in the form of a universal equivalent. Now the value of the most different commodities is compared and measured through the medium of a third commodity—the universal equivalent.

At first there were various commodities which temporarily functioned as a universal equivalent, according to the concrete circumstances of time and place.

“ In turns and transiently it (i.e., the universal equivalent formed) attaches itself first to this and then to that commodity. But with the development of exchange it fixes itself

firmly and exclusively to particular sorts of commodities, and becomes crystallised by assuming the money-form. The particular kind of commodity to which it sticks is at first a matter of accident. Nevertheless there are two circumstances whose influence is decisive. *The money-form attaches itself either to the most important articles of exchange from outside, and these in fact are primitive and natural forms in which the exchange-value of home products finds expression; or else it attaches itself to the object of utility that forms, like the cattle, the chief portion of indigenous alienable wealth. . . .* In proportion as exchange bursts its local bonds, and the value of commodities more and more expands into an embodiment of human labour in the abstract, in the same proportion the character of money attaches itself to commodities that are by nature fitted to perform the social function of a universal equivalent. Those commodities are the precious metals." (*Capital*, p. 101.)

With the development of the money form, when the universal equivalent is finally and completely attached to *one* class of commodity, the precious metals, the divorce between value and use-value has become final and universal. All commodities express their value finally only in gold which has become the universal equivalent—that is to say in money.

We know already, that exchange value is the embodiment of value. When gold comes forward as the universal equivalent, the universal form of value becomes the money form, and gold also becomes the exchange value of all commodities. This exchange value we do not call exchange value but price (a fixed quantity of gold). *Price* therefore is the gold exchange value of the commodity, or *the value of the commodity expressed in money*. There is therefore nothing puzzling about price, if one has understood the process by which money has arisen out of the simple form of value.

3. VALUE AND PRICE. HOW VALUE REGULATES
COMMODITY PRODUCTION AND COMMODITY
EXCHANGE

Bourgeois economists who, in so far as they remain bourgeois economists and do not wish to give up the class standpoint of the bourgeoisie, do not understand the Marxist theory of value, attempt to refute this theory mainly by asserting that commodities are by no means sold at their value. But there is nothing more foolish than to believe that Marx stated that commodities must always be sold at their value. This is one of the favourite methods of "refuting" Marx; but it is merely to refute a Marxism set up to suit one's own taste. This method of the bourgeois economists is followed by the reformist theoreticians, who, by the "refutation" of the Marxist theory of value, want to substantiate the theory of "economic democracy" (as, for instance, Nölting and Braunthal do in their "socialist" text-book of Economics).

When we say that what is common to all relations of exchange is value—the labour-time necessary for the production of the commodity—we do not say that the commodity is *always* sold or exchanged at its value.

Value is the one content, the inner essence, the "substance" of exchange value or price. This is above all expressed in the fact that when the productivity of labour rises, that is to say, when less labour is necessary for the production of a commodity, prices also fall. In present-day capitalism this is not always the case, because capitalist monopoly groups temporarily are in a position to keep up prices, even when the productivity of labour has risen, and therefore the value of the commodity has fallen. But they cannot do this for long. And very often they sell their commodities abroad at a lower price than at home ("dumping").

Moreover, as we shall see later, Marx showed, in Vol. III of *Capital*, that individual commodities, under conditions of capitalist competition, sell at their *prices*

of production, which are sometimes higher and sometimes lower than their individual values.

The price of commodities changes also with the change in the value of gold: if the value of gold falls, the value of the commodity is expressed in a correspondingly larger quantity of gold; commodity prices rise, and vice versa when the value of gold rises. But it can also happen that changes in value do not bring about any change in price. For example, if the socially necessary labour-time for the production of the commodity and of the quantity of gold changes in both cases to the same amount, the commodity price remains unaltered. If the weight on both sides of the scales is changed equally, then this is not expressed in the turning of the scales.

Value is the manifestation of social labour peculiar to commodity-producing society. It is precisely out of the basic contradictions of commodity production that the possibility arises that price under certain circumstances does not correspond to the commodity value on which it is based.

“The fact that value is the expression of social labour contained in private products, makes possible the difference between this and the private labour contained in the same product. If a private producer continues to produce in the old way, whilst social production advances this difference becomes much more seriously felt. The same thing happens as soon as the private manufacturer of a given kind of commodity produces an amount over and above the social need. *The possibility that exchange does not take place, or that it does not realise the correct value lies in the fact that the value of a commodity can only be expressed in other commodities and can only be realised through exchange with them.*” (Engels, *Anti-Duhring*, p. 336. Our italics.)

If a commodity, say shoes, is over-produced, its price will often fall below its value. This means that the shoemaker no longer realises in the price the full value of his commodities. Many shoemakers are ruined, society begins to produce fewer “socially necessary” shoes, and in consequence prices rise once more and

tend to square with the value. Or competition forces the producers to perfect their means of production and to reduce the value of the commodity in this way.

On the other hand, when for some commodity, e.g., shoes, the demand is greater than the supply, then prices will rise above value, and the shoemakers get for their shoes more value in the form of money, than the socially necessary labour contained in their commodities. This, however, will lead to the expansion of shoe production and finally to an over-supply with regard to the existing demand and in this way to a fall in price.

We see that the changes in supply and demand produce fluctuations of commodity prices around the commodity value. This fluctuation, this movement of price, however, is itself dependent on value, in the sense that price cannot fall endlessly. If, as a result of over-production, prices fall, this is an obvious proof that in the corresponding sphere of production too much social labour—that is more labour than is socially necessary—has been used. Competition and the consequent bankruptcy of producers, depreciation in stocks of goods, etc., leads to the restriction of production and to the lessening of the social labour expended in the corresponding sphere of production. And vice versa in the case of a rise in prices.

Therefore, lying at the root of the fluctuations in price, are the shiftings in the social division of labour, the fact that social labour in individual branches of production is not divided in a planned way. First in one place, then in another, too much or too little social labour is embodied in commodities. This disproportion, continually disappearing, continually emerging anew, conditions the continual fluctuations of price; its permanent movement up and down around the value of the commodity. Price is nothing less than the form of *value*. The deviations of the price of commodities from the value of the commodity characterise the disproportion in the division of social labour and force its elimination in such a way that a new disproportion

must arise. Through the medium of the mechanism of price-movements, value regulates commodity production and commodity exchange.

The fact that price and value do not always agree is not a refutation of the Marxist theory of value, it is on the contrary a confirmation of this theory. For the essence of the Marxist theory of value is to explain value and its price form from the contradictions of commodity production. The value of a commodity is achieved in the movement of price only as an *average*, because in an anarchic commodity economy, the social division of labour is without plan, and price and value therefore only agree accidentally, i.e. only for a short period of time. This "inadequacy" does not lie in the Marxist theory of value, but in bourgeois society, peculiar to the capitalist method of production. It consists in the fact that the *social process of production* is unorganised, that every step forwards in the development of the social forces of production is always bound up with great losses which arise, not from technical reasons, but from the contradiction of capitalist commodity production. The division of labour among the different departments of production is not planned beforehand, but is regulated after the event in an elementary fashion.

Marx, in a letter to his friend, Kugelmann (July 11th, 1868; see Marx, *Briefe an Kugelmann, Elementarbucher des Kommunismus*, vol. iv, p. 53, 1927 Edition), dealt once again with his theory of value. Lenin, in his introduction to the Russian edition of the Kugelmann letters, said, with regard to this passage :

"It is very desirable that everyone who is beginning to deepen his knowledge of Marx, and to read *Capital*, should read this letter when studying the first and most difficult chapter of *Capital*."

The most important part of the letter reads as follows :

"The chit-chat about the necessity of proving the conception of value, arises only from complete ignorance

both of the questions with which it is concerned and of the method of science. Every child knows that any nation which stops work, I will not say for a year, but for a few weeks, will perish. In the same way it is known that the masses of products corresponding to different needs demand different and quantitatively defined masses of social labour. That this necessity of the division of social labour cannot be abolished by the *definite form* of social production, but can only change its manner of *manifestation*, is self-evident. Natural laws cannot be abolished. What can be changed in historically different conditions is only the *form* in which each law is manifested. And the form in which this proportional division of labour is carried out in a condition of society in which the connection of social labour makes its influence felt as the *private exchange* of individual products of labour, is the *exchange value* of these products.

“ Science consists in the development of the manifestation of the law of value. If one wants to ‘explain’ in advance all the phenomenon which apparently conflict with the law, one must produce science *before* science. . . .

“ . . . Vulgar economists have not the slightest idea that the real daily exchange relationships and the extent of value cannot be actually identical. The joke of bourgeois society consists just in this : that, *a priori*, no conscious, social regulation of production takes place. What is reasonable and by nature necessary is carried through only as a blind working average. And then the vulgarian believes that he has made a great discovery when, in connection with the unveiling of the inner connections he boasts that the thing in its appearance seems other. As a matter of fact, he boasts that he clings fast to the appearance and accepts it as final. For what purpose then do we need science ? ”

QUESTIONS

1. What is meant by the relative and the equivalent forms of value ?
2. What are the stages of development of the form of value ?
3. What is money ? What is price ?
4. How is commodity production regulated by value ?

V. THE FETISHISM OF COMMODITIES

I. THE MATERIAL RELATIONS BETWEEN PERSONS AND THE SOCIAL RELATIONS BETWEEN THINGS

As the form of value is not expressed directly in the social labour contained in the commodity, but in the use-value of another commodity (in the equivalent), so value—the social relationship—appears to be a property of the commodity itself. This false conception is not caused by insufficient capacity for thought on the part of commodity producers. It is a necessary consequence of commodity production in general and of capitalist commodity production in particular. It is not only a consequence, but to a certain extent also a pre-condition of capitalism. This conception is based on the objective fact that, in commodity production, social relationships are carried on through the exchange of commodities, i.e., of things, of goods. The actual content of productive relations appears in an “inverted” form.

What we see on the surface of economic life has quite a different appearance from that which constitutes the real content, the real inner connection of society. The actual relations of production are veiled by their inverted, outer manifestations. Marx characterised the fact that human relations are expressed through things and are thereby hidden, and the wrong conception arising from this, which supposes that things themselves have social properties, as the fetishism¹ of commodities. Let us hear what he says about this :

“ A commodity is therefore a mysterious thing, simply because in it the social character of men’s labour appears to them as an objective character stamped upon the product of that labour ; because the relation of the producers to the sum total of their own labour is presented to them as a social relation, existing not between them-

¹ A fetish is an object, to which, in the religion of primitive people, is attributed supernatural properties.

selves, but between the products of their labour." (*Capital*, Vol. 1, Chapter 1, p. 83.)

"The existence of things *qua* commodities, and the value relation between the products of labour which stamps them as commodities, have absolutely no connection with their physical properties and with the material relations arising therefrom. There it is a definite social relation between men, that assumes, in their eyes, the fantastic form of a relation between things. In order, therefore, to find an analogy, we must have recourse to the mist-enveloped religions of the religious world. In that world the productions of the human brain appear as independent beings endowed with life, and entering into relation both with one another and the human race. So it is in the world of commodities with the products of men's hands. This I call the Fetishism which attaches itself to the products of labour so soon as they are produced as commodities, and which is therefore inseparable from the production of commodities.

"This Fetishism of commodities has its origin, as the foregoing analysis has already shown, in the peculiar social character of the labour that produces them." (p. 83.)

"Since the producers do not come into social contact with each other until they exchange their products . . . the relations connecting the labour of one individual with that of the rest appear, not as direct social relations between individuals at work, but as what they really are, material relations between persons and social relations between things. . . . To them, their own social action takes the form of the action of objects, which rule the producers instead of being ruled by them. . . . The determination of the magnitude of value by labour-time is therefore a secret, hidden under the apparent fluctuations in the relative values of commodities." (pp. 84-86.)

2. THE BOURGEOIS CONCEPTION OF VALUE

The first bourgeois economists had already discovered that the value of a commodity was determined by labour. But even the most brilliant among them, *Ricardo*, could not explain the concealed, actual phenomena and laws of capitalist production, because

he did not perceive what is peculiar to value, namely that value is only a particular historically transitory form of expression of social labour. And he could not do it because he took capitalism as the method of production corresponding to human nature and not as a social method of production historically conditioned. Therefore, he could not discover the double character of the labour represented in commodities. In short, he was a *bourgeois* economist, and could not overcome the limitations of bourgeois ideology.

Marx based himself on the class standpoint of the proletariat, the producing and exploited class, whose interests lie, not in the concealment of capitalist exploitation, but in its exposure, in the unsparing criticism of the contradictions of bourgeois society. Marx was also able to grasp the essence of value as the most general, and therefore the most comprehensive, expression of the economic conditions of commodity production with all its contradictions.

Ricardo was the last bourgeois economist who *tried* to examine the elements of capitalist production scientifically. But since the revolutionary working class has appeared on the scene of history, social science has passed over into the hands of this class, because it alone has nothing to fear from scientific truth. Bourgeois economic science has turned into a "science" of apology, because it consciously aims at justifying capitalism. It has become vulgar economy, which only wants to see what lies on the surface of economy, i.e. its inverted form.

It is, therefore, not surprising if vulgar economy devotes itself to simple, crude fetishism. For example, the vulgar economist, S. Bailey, wrote as follows in his polemic against Ricardo (1825):

“ ‘ Riches ’ (use-value) ‘ are the attribute of men, value is the attribute of commodities. A man or a community is rich, a pearl or a diamond is valuable. . . . A pearl or a diamond is valuable ’ as a pearl or diamond. (To this Marx says) So far no chemist has ever discovered exchange value either in a pearl or diamond. The economical dis-

coverers of this chemical element, who by-the-by lay special claim to critical acumen, find, however, that the use-value of objects belong to them independently of their material properties, while their value, on the other hand, forms a part of them as objects." (Quoted, *Capital*, Vol. i, p. 95.)

Fetishism plays an important role in bourgeois society, because it hides production relationships. The value of a commodity does not appear as a social relation, but as the property of a thing. Capital does not appear as a relationship of exploitation, but as a thing (machine, money), which has the property of producing profit. Profit, therefore, appears not as the product of the work of others which has been appropriated, but as a natural product of capital. Wages seem to be the full payment of the worker, etc. etc. Everything stands on its head; there is no exploitation; the worker has his income thanks to *his* property—labour power; the capitalist has *his* income thanks to *his* property—capital.

This is why bourgeois economy strives to maintain and to strengthen the ideology of the fetishism of commodities. A well-known bourgeois economist of the second half of the nineteenth century, Boehm-Bawerk, also made the corner stone of his theoretical work the view that the value of a commodity is determined by its usefulness to mankind, that is to say by its personal use-value. One does not start from production but from "consumption," taking value as arising from the estimate of its use-value to the consumer.

All of them flee from the determination of value through labour, because this inevitably must lead to the exposure of the *contradictions* of the capitalist method of production, and to the recognition of wage *labour* as the sole source of profit.

A bourgeois economist, an opponent of Ricardo, already in the year 1832, betrayed in his *Fundamentals of Political Economy* the secret as to why bourgeois economy *must* oppose the view that value is determined by labour.

“That labour is the only source of wealth appears to be an idea which is no less dangerous than false because it unfortunately plays into the hands of those who opine that all wealth belongs to the labouring classes and the portion which the others reserve has been stolen or robbed from them.” (Quoted by Marx: *Theorien uber den Mehrwert.*)

The scientific truth that value is produced by labour simply does not suit the bourgeoisie.

3. THE DISTORTION OF THE MARXIST THEORY OF VALUE BY THE SOCIAL-DEMOCRATS.

It is no accident that reformism, which has taken upon itself the task of putting forward the immediate demands of the capitalist regime, and of supporting it, has always consciously shrunk away from the Marxist theory of value.

The Social-Democrats when they do not simply use the machinery of bourgeois economists, with no pretence of Marxism at all wish to create the theoretical foundation for their theory of economic democracy with their assertion that what is most important in the Marxian theory of value is its quantitative side, and with their description of it as a theory of equilibrium and equivalents.

To see only the importance of value, in its quantitative side, and to turn away from the qualitative (i.e. its social content) means to deny the inner contradictions of commodity economy in general, and in the capitalist methods of production in particular.

Marx proved in his criticisms directed against Ricardo, that in the last analysis, the Ricardian assertion relating to the impossibility of general crises of over-production within capitalism, his view of capitalist methods of production, as natural and eternal, his false theory of money, was based on his conception of exchange value, as a mere quantitative relation.

“This false theory of money is, however, based by Ricardo on this, that generally, he has only in view the *quantitative determination* of exchange value, namely that it is the same

as a definite quantity of labour time, forgetting as against this the *qualitative determinant*, that individual labour, through its separation, must be represented as *general abstract social labour*." (Marx: *Theorien über den Mehrwert*, Vol. II, Part 2.)

The Social-Democrats, however, want to see in value only the quantitative aspect, Equilibrium, the equivalent; they are striving to cover up the internal anarchy of production in order to be able to deny it.

Marx declares value, arising out of the contradictions of capitalist production, to be an "inverted" reflection of these contradictions, and shows how value is ruled, in elementary fashion, by the price movements of commodity production, with consequent heavy losses. He proved that the important question is the elimination of this fundamental contradiction. As against this, the Social Democrats strive to remove all contradictions out of value, in order to have a free path for their denial of the exploitation character of capitalism, and a theoretical basis for their convenient method of re-naming capitalism as Socialism.

From misrepresentation, revision and rejection of the Marxian theory of value, up to supplying theoretical arguments for the robbery of the working class by finance-capital—that is the theoretical path of Social Fascism.

Therefore there is all the greater necessity to study the Marxist theory of value, and to make known its revolutionary character—revolutionary because it shows us the contradictions in the capitalist system, which can only be solved in a revolutionary way.

QUESTION

1. What is the fetishism of commodities, what are its causes and what role does it play?

QUESTION FOR THE WHOLE LESSON

What is most important in the Marxist theory of value?

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