

# A GUIDE TO THE STUDY OF MARX.

AN INTRODUCTORY COURSE FOR CLASSES  
AND STUDY CIRCLES.

BY  
MAX BEER.

(SECOND EDITION.)

---

*Price Sixpence.*

---

All the past we leave behind,  
We debouch upon a newer, mightier world, varied world,  
Fresh and strong the world we seize, world of labour and  
the march,

Pioneers! O pioneers!

—*Walt Whitman.*

THE LABOUR RESEARCH DEPARTMENT,  
162, BUCKINGHAM PALACE ROAD, S W.1.

# THE LABOUR RESEARCH DEPARTMENT

IS THE PUBLISHER OF THIS SYLLABUS

---

The L.R.D. wants to be of use to you in every way it can.

The L.R.D. exists to undertake research and inquiry into all problems which concern the workers and their organisations.

It ran the publicity for the Railway Strike, it helped the Miners during the Coal Commission and in every subsequent dispute, it helped the A.E.U. in the Engineering Lock-Out.

The L.R.D. is always ready to institute, on demand, special inquiries on behalf of any section of the Labour Movement.

Every Trade Union, Trades Council, Labour Party, Co-operative Society, or other Labour body, ought to be affiliated to the L.R.D.

Every active worker in the Labour and Co-operative Movement ought to be an individual member of the L.R.D.

Membership and Affiliation carry with them the right to use the results of the Department's research, to receive the MONTHLY CIRCULAR of national and international information, to get advice and assistance, to ask questions and to get them answered by the Department.

The *minimum* subscription for individual members is 10/6 per annum.

The *minimum* fee for Local Labour Bodies is £1 per annum.

Write for particulars of national affiliation, and for any further information you require.

Address all enquiries to THE SECRETARY,  
LABOUR RESEARCH DEPARTMENT,  
162 Buckingham Palace Road, London, S.W.1

---

**LOOK OUT for the DEPARTMENT'S PUBLICATIONS**

If this Syllabus is the sort of thing you want, get the rest of the series.

No. 1.—THE BRITISH LABOUR MOVEMENT.

By G. D. H. COLE.

No. 2.—THE DEVELOPMENT OF MODERN CAPITALISM.

By M. H. DOBB.

No. 3.—FINANCE.

By EMILE BURNS.

No. 4.—ENGLISH ECONOMIC HISTORY. By G. D. H. COLE.

No. 5.—BIOLOGY.

By C. P. DUTT.

No. 6.—THE RUSSIAN REVOLUTION. By R. PAGE ARNOT.

No. 7.—CHARTISM AND THE "TRADES UNION."

By R. W. POSTGATE.

No. 8.—UNEMPLOYMENT.

By G. D. H. COLE.

No. 9.—AN OUTLINE OF LOCAL GOVERNMENT.

By Alderman JOHN SCURR, J.P.

No. 10.—TRADE UNION PROBLEMS AND POLICY.

By G. D. H. COLE.

No. 11.—THE FRENCH REVOLUTION. By SYDNEY HERBERT.

No. 12.—THE HISTORY OF THE WORLD.

By M. I. COLE.

No. 13.—ECONOMIC GEOGRAPHY.

By J. F. HORRABIN.

No. 15.—PUBLIC FINANCE.

By HUGH DALTON.

No. 16.—MONEY AND PRICES.

By MAURICE DOBB.

Others to follow.

# A Guide to the Study of Marx.

---

## CONTENTS.

|                                         | PAGE |
|-----------------------------------------|------|
| Biographical Sketch, ... ..             | 3    |
| Chap. I., General Views of Marx, ... .. | 5    |
| „ II., Historic Materialism, ... ..     | 11   |
| „ III., Political Economy, ... ..       | 18   |

---

---

## TO READERS AND STUDENTS.

---

This Syllabus is essentially an introduction to the life-work of Karl Marx in general and his economics in particular. The student, who reads and masters it, will be fairly well equipped for a study of Marx's works. In then taking up "Capital," he will profit most by starting with Volume III., Part VII., chapters 48-52 (which contain most of the secrets of Marxism), Part VI., chapter 37 (Preliminaries) and Part III., chapter 13, which is beautifully worked up. Then the student will do well to read chapter 19 in Vol. I., and as much as possible of chapter 1 in Vol. II. After such a course of study, he will find no difficulty in going through Vol. I., II., and III. Unfortunately, Vol. IV. is only accessible to those who know German.

M. BEER.

## BIOGRAPHICAL SKETCH.

“Hitherto, the philosophers have but variously interpreted the world; it is now their business to change it.”

Marx, *Observations on Feuerbach*, 1845.

**K**ARL HEINRICH MARX was born at Treves on May 5, 1818, as the son of Heinrich Marx, a barrister, who in 1824 left Judaism for Protestantism. He attended the public school of his native town and matriculated in the autumn 1836 at the University of Bonn, entering the Law faculty. In the autumn 1837 he left for Berlin, where he studied Law, Philosophy, History, Classical and Modern Philology, and graduated as Ph.D. in 1841 at Jena, with a thesis on Epicurean and Democritian Philosophy. During his University years at Berlin, he was attracted by the philosophy of Hegel, made friends among the University lecturers and Hegelian scholars, who, although his seniors, treated him on a footing of equality and eagerly sought his society. In 1841 he settled at Bonn, with a view to start on a career of a University lecturer, but owing to the persecution of all unorthodox teaching, Marx turned to journalism and became in 1842 first a correspondent and then chief editor of the *Rheinische Zeitung* at Cologne, a Liberal daily, founded by bankers and middle-class intellectuals for the purpose of fighting Prussian autocracy. Marx's articles proved, however, too much for the censorship, so that the paper was ceaselessly harassed and, finally, Marx resigned his position and left with his newly-married wife, Jenny (*née* Baroness von Westphalen) for Paris in October, 1843, to edit the German-French Annals (*Deutsche Französische Jahrbücher*), published by Arnold Ruge, a left-wing Hegelian. The Annals also succumbed after two issues had been published; they contain the germs of Marx's views on socialism and class struggle, so that we may say that in the winter 1843-44 Marx became a Socialist. In September, 1844, Frederick Engels, a contributor to the German-French Annals, who had lived in Manchester since the end of 1842, came to Paris to see Marx; this was the beginning of their life-long friendship and co-operation, the first fruit of their co-operation being the “Heilige Familie,” a polemical treatise against their former Hegelian friends, the Radical brothers, Bruno and Edgar Bauer. Marx wrote occasionally also for the Paris weekly, *Vorwärts*, for which he and some contributors were expelled from France in 1845. Marx left for Brussels, where he lived till March, 1848, and where he wrote in French his first great treatise “*Misère de la Philosophie*” against Proudhon's

“*Philosophie de la Misère.*” In this work, written by Marx in 1846-47, all that which we call Marxism is to be found more or less explicitly. In December, 1847, and January, 1848, he and Engels wrote the “Communist Manifesto” for the Communist League, which they had joined in the summer 1847. In March, 1848, after the outbreak of the Paris February Revolution, Marx was expelled from Belgium, went to Paris, whither he had been invited by the French Provisional Government, and where he remained till the end of May, 1848, so that he was able to witness the revolutionary struggles of the French proletariat, of the Blanquists and Social Democrats, for and against the dictatorship.\* At the end of May he left for Cologne to take part in the German Revolution, which had broken out in March, 1848, and which was destined to find its most outspoken organ in the Cologne *Neue Rheinische Zeitung*, under the editorship of Marx, and the first number of which appeared on June 1, 1848. The defeat of the Paris proletariat in the last week of June resulted also in the decline of the German Revolution. By the spring 1849 the German Revolution was practically at an end, the *Neue Rheinische Zeitung* was suppressed; Marx left for Paris and in the autumn 1849 for London, where he remained until his death on March 14, 1883. In London he edited the *Neue Rheinische Revue* (1850), contributed economic articles to Ernest Jones’s *Notes to the People*, to the Anti-Palmerstonian *Free Press*; was correspondent of the *New York Tribune* (1852-1861), published in 1859 his book, “*Zur Kritik der politischen Oekonomie*,” in the preface of which he gave a short outline of his materialist conception of history; 1864-1872 he was the spiritual leader of the International Working Men’s Association; in 1867 he published the first volume of “*Das Kapital*”; in 1870-71 he wrote the Addresses of the International on the Civil War in France (the Paris Commune). In the last ten years of his life, ill-health prevented him from finishing his “*Kapital*,” leaving the second, third, and fourth volumes to his friend Engels to edit and prepare for publication. Vol. II. appeared in 1885, Vol. III. in 1894, while Volume IV., entitled “*Zur Geschichte der Mehrwerttheorie*,” was edited and published, in four parts, by Karl Kautsky in 1905-1910.

\* A distinct echo of those struggles we hear in Marx’s book, “*Klassenkämpfe in Frankreich*,” written in 1850, and in the “*Eighteenth Brumaire*,” 1852.

## I.—GENERAL VIEWS OF MARX.

“ All science would be superfluous if the appearance (the phenomenal form) and the nature of things were wholly identical.”

—Marx, *Capital* III. p. 951 (English edition).

THERE are to be found in the life-work of Marx certain general views or fundamental conceptions which pervade its texture and which are therefore preliminary to a proper appreciation of it. Unfortunately, however, they were only casually and perfunctorily touched upon by him, so that they are easily missed by the readers and students of his books. Marx was evidently so intimately familiar with those views that they appeared to him to stand in no need of any special exposition. This omission may be taken to be the cause of many of the difficulties, misunderstandings and adverse criticisms which Marx's works have met with.

These general views are :—

### 1.—CLASS SOCIETY.

Human society, after having left the stage of primitive tribal and communal organisation, split into two antagonistic classes, the one appropriating and controlling the means of production and the corresponding mechanism of government (State) or political power, which was created for the protection of the new property relations ; the other class, possessing but labour power and skill, has been compelled to perform the productive work and all the drudgery which is necessary to keep society going.

This class society, looked at from the point of view of material production or the very basis of social life, has been passing through three phases, namely (i.) slave-holding or antique economy ; (ii.) villeinage (later serfdom) or feudal economy ; (iii.) wage system or modern capitalist economy. The three phases of class society, while differing in their political and legal aspects and showing a progressive tendency towards universal political freedom, have this remarkable feature in common that the labouring class, either as slaves, villeins, serfs, or wage-workers, can only get their subsistence on condition of working a part of their time gratuitously for the benefit of the owners of the means of production, or providing the latter with food, raiment, shelter, and the means of economic and social intercourse, that is, paying a tribute to the victorious class. Consequently, the working time of the labouring classes in all the three phases of class society is divided into two parts—in *necessary labour* (for the satisfaction of their own needs,

or paying back with labour for the food, clothing, and shelter they receive from the possessing classes) and *surplus labour* (that part of work which they pay as a tribute or which they perform gratuitously for the benefit of the possessing classes).

This is the essential condition, the most characteristic feature of every phase of class society. Every person belonging to the possessing class gets a share of the surplus labour, and every person belonging to the labouring class pays, when employed, the tribute of surplus labour to the possessing class.

## 2.—THE THREE PHASES OF CLASS SOCIETY.

“ If the analysis of the inner and essential relation of the capitalist process of production is a very complicated matter ; if it is the work of scientific research to reduce the perceptible and merely apparent movement to its inner, real movement, then it is no wonder that the notions which arise in the minds of the agents of production and circulation concerning the laws of production, completely deviate from those laws, and are only the conscious expression of apparent movement. The ideas of a merchant, exchange speculator and banker are necessarily quite inverted.”

—Marx, *Capital*, Vol. III., p. 369 (English edition).

Slave-holding economy, feudalism, and capitalism denote each, in the first instance, not a collection of things and persons, but a certain social phase, certain social relations between the classes, or the social status of the respective classes. They denote social predominance of one class over the other. The owners of the means of production rule and govern, or keep the labouring class to its productive and menial tasks, and distribute in accordance with their ruling interests, the produce of labour.

“ The leadership of industry is an attribute of capital, just as in feudal times the functions of general and judge were attributes of landed property.” (Marx, *Capital*, Vol. I., p. 323, Engl. edition, London, 1889).

In the first two phases of class society, that is under slave-holding and feudal economy, the main features of class-society are manifest to all, the class relations are not obscured or disguised by any pretence, subterfuge, or complicating circumstance. The slave-holder and the feudal lord are the rulers ; they wield the political power, and they distribute the material wealth which is produced by the slaves and serfs. The subjected and disinherited classes cultivate the land, transform the raw materials, supplied by nature, into use-values. The economic conditions of antique and feudal society are altogether clear, transparent, the range of production and consumption, circulation and exchange, being relatively

narrow and therefore easily surveyed and controlled, save in cases of natural calamities.

On the other hand, class society changes its aspect when entering on its third phase—that is, capitalism. It grows more and more complex and involved, so that its main characteristics are obscured and disguised. The extension of the markets ; the production for sale and not for personal use ; the increase of the number of commercial links between production and consumption ; the atomisation of society ; the growth of political freedom ; the buying of labour in an apparently free market ; the ascertainment of the quantity and quality of labour through fixing its exchange-value ; the intricate process of competition, out of which the tribute of the labouring class, viz., surplus-labour or surplus-value, reappears under the commercial mask of profit, have turned the capitalist system into a wide-flung net of movements and activities, which are as tangled and confusing to the untrained or prejudiced mind as the movements of the various bodies of the solar system were to the minds of the pre-Copernican times. The real positions, functions, and movements of the social classes in the economic system appear in a perverted form. The apparent movements of things, their phenomenal forms, considerably deviate from, or do not seem to correspond with, the essence of things.

Marx considered it as his main task and scientific programme to unravel the tangle, to penetrate the phenomenal forms and get to the core of the capitalist system, to reveal its class character, to show that the relation between Capital and Labour is not a business transaction between free agents, but that of the domination of the one class over the other, and that profit of capital is nothing else but the commercial metamorphosis of surplus labour, the main feature of class society. Surplus-labour is unpaid labour, or the tribute which the defeated and subjected class pays to its conquerors ; it is withal the inevitable and legitimate condition—the *conditio sine qua non*—of any society based on class domination. The wage-worker is not cheated or robbed in a legal or commercial sense, no more than the villein, serf, or slave were cheated when they worked a part of their time gratuitously for their master, for each historic phase has its own legal and moral concepts, its own body of laws which express the economic and social relations of the various classes and members of society. The wage-labourer's remuneration simply cannot be the full produce of his labour, for, as a member of a subjected class, he must needs work gratuitously a part of his time for the ruling class. He may feel wronged, he may appeal to right and justice, but his appeals will be rejected, for the ruling laws and ruling ideas are the laws and ideas of the ruling class, while his own ideas of right and justice are those of the disinherited, subjected and defeated class. There exists no abstract idea of right and justice. Hence as a wage-worker within

the capitalist system he can never permanently improve his economic condition or make his own idea of right prevail, just as the slave or the serf could not change their condition as long as slave-holding economy or feudalism prevailed. Therefore, the struggle of the wage-worker ought, logically, to be directed not against the mode of distribution of the produce of labour, but against capitalist class society as an economic and political system. The object and end of his struggle is not and cannot be reform, but the liberation from the tribute of surplus labour, the emancipation from capitalist domination, the supersession of class society, the establishment of a society of economic equality.

The whole conception of Marx regarding the capitalist system as class society shows that he never deals with individual capitalists or individual labourers, but with classes as two antagonistic groups, of which the one gives surplus labour and creates surplus-value for the other. Hence it follows that Marx deals not with value, surplus-value and profit created in any single factory, mine or field, but with the collective values, surplus-values and profits of the capitalist class as a whole.

Finally, the whole consideration of capitalist society, as stated here, easily explains the reason why Marx began his "Capital" with those elaborate and ponderous chapters on exchange value and surplus value, or why he spent such an immense amount of logical abstraction on those concepts; he saw in them theoretic expressions of the necessary and surplus labour, which form the basis of the capitalist production and distribution.

To have thus analysed capitalist society and to have discovered its class character, as well as the real positions, movements and functions of the various classes and agencies operating within it, is one of the main achievements of Marx. He removed the blazing legend of *liberté, égalité, fraternité*, the veil of individual liberty, justice and righteousness, from the capitalist system and revealed it to be a phase—the last phase—of class society. This work he accomplished in his four volumes of "Das Kapital."

### 3.—RELATIVITY OF ECONOMIC, ETHICAL, AND LEGAL CONCEPTS.

Unlike his predecessors, who regarded the prevailing mode of production or the existing industrial order as the permanent, absolute and rational, though not flawless, system of society, Marx always reasons upon it as being a relatively transient phase in the evolution of human society. The capitalist mode of production is, in his eyes, the offspring of feudalism and the parent of the nascent communistic form of production. His life-long enquiries into capital had for its motive, first, to ascertain whence it sprang and whither it moves; secondly, to find and define the economic forms,

in which the class relations of capitalist society—that is, the predominance of the owning class and the subjection of the labouring class—express themselves ; thirdly, to discover the tendencies and nascent forces which are in the process of forming the new and higher mode of production—higher from the point of view of material abundance, general welfare, and ethical level.

Marx's evolutionary view of society makes it sufficiently clear that he never deals with abstract ideas nor tries to give absolute definitions of sociological concepts. He never asks, for instance, what is value in general, or what is productivity of labour, or what is the law of population, but what is value and productivity and the law of population in capitalist society ; he never inquires into the general idea of right, justice, equality, or freedom, but always into the meaning of right, justice, equality, or freedom in any given phase of social development. According to Marx, sociology knows no absolute truth, no permanently valid definitions of concepts, but all is relative to the stage of social evolution. This is a very important point in Marxism and must not be lost sight of.

#### 4.—MARX'S CONCEPTION OF EVOLUTION.

Marx thinks consistently in terms of evolution. He owes his evolutionary view of society to the teachings of the German philosopher, Georg W. F. Hegel (1770-1831), who regards mind, nature and human history as being involved in a process of development from lower to higher stages as the external manifestation of the development of the primeval spiritual force from a mere Idea (spiritual term) to the majesty of Godhead. This process of development of Idea, mind, nature and human history could and can only go on, because its positive or affirmative elements contain in themselves contradictory, oppositional, antithetical or negative elements and strivings which come into conflict with the positive contents. The conflict leads to a struggle, in which all potentialities and gifts of mind, nature and human society are unfolded and in the room of the negated and displaced stage of form and realities there arises a new and higher stage of spiritual, mental, natural and social life, which is the synthesis of all the vital elements of the positive and negative. The rise and self-assertion of the contradictory, oppositional and negative is the essential condition of progressive development ; it sets all entities in motion ; the appearance of the contradictory is the first manifestation that the striving for a higher stage has begun, or that the old positive no longer satisfies ; the contradiction is the mainspring of progressive development, if unfolded and brought to a head. Where, however, the power to unfold the contradiction and bring it to a head is lacking, no progressive development takes place, that is, stagnation and decay sets in. This mode of procedure in human thinking and in the operations of nature and social

history, or this progressive development of mind, nature, and society through the conflict and clash of antagonistic forces, Hegel called the *dialectical method* or the *dialectical process*, of which there are three stages—the *positive* (affirmation or thesis), the *negation* (antithesis), and the *negation of the negation* (synthesis).

Marx accepted the Hegelian dialectical method as a method of social research ; he likewise regarded the Hegelian dialectical process of universal development as formally true, but in the place of the Idea he put material forces, that is, industrially productive forces as the predominant dynamic agency of human society and its history. While Hegel is an adherent of Idealism, that is, of the doctrine that the spiritual is the primary force of universal development, Marx is an adherent of Materialism and sees in the material forces, and as regards society, in the economically productive forces, the propelling agency of social evolution.

“ My dialectic method,” says Marx, “ is not only different from the Hegelian, but is its direct opposite. To Hegel, the life process of the human brain, *i.e.*, the process of thinking, which, under the name of ‘ the Idea,’ he transforms into an independent subject, is the demiurgos (artificer) of the real world, and the real world is only the external, phenomenal form of ‘ the Idea.’ With me, on the contrary, the ideal is nothing else than the material world reflected by the human mind, and translated into forms of thought.” (*Capital*, Vol. I., p. xxx., English edition, London, 1889).

## II.—HISTORIC MATERIALISM.

“The social relations are closely connected with the forces of production. With the acquisition of new productive forces men change their mode of production—the way in which they win their livelihood—and they change their social relations.”—Marx, *Misère de la Philosophie*, 1847.

### 1.—IDEALISM AND MATERIALISM.

The mental efforts of man to explain to himself, that is, to get a total and coherent view of the world and the fulness thereof, or to comprehend Nature and human society, resulted in the formulation of two broad conceptions which have become known by the philosophical terms—Idealism and Materialism.

By Idealism we mean that conception which asserts that only the mental, spiritual or divine possesses absolute reality and true being, and that it constitutes the fountain-head of all existence, the prime cause of all occurrences and developments, the conscious, purposeful motor force of the Universe. Mind creates and moves the material world.

Materialism, on the other hand, assumes that the true reality in Nature as well as in the mental or spiritual sphere is matter, the inherent forces of which operate in accordance with certain laws as inquired into and discovered by science. The mental or spiritual is either a product or a function of matter. Thought is the reflex or interpretation of the objective world.

Each of these conceptions has its variations and combinations, but on the whole they represent two well-defined contrary views, of which the one assumes the ideal, mental or spiritual, to be the primary force, while the other sees in the material, the bodily or physical, with its inherent properties, the prime reality and operating cause of the world.

### 2.—TRANSITION FROM IDEALISM TO MATERIALISM.

The great period of German philosophy was from about 1780 to 1830. Its main characteristic is Idealism, and among its famous representatives we find such philosophers as Kant, Fichte, Schelling, and Hegel. The last-named was the greatest; he reduced the main occurrences and developments in Nature, mind, and human history to the self-development of the Idea, or the spiritual germ to Godhead. Since about 1830, German thought abandoned Idealism for Materialism or physical science. This change coincided

with the rise of commerce, trade and manufactures, or with the rise of the middle-class and its tendency towards Liberalism. There was a reaction from Hegelianism ; the school broke up into several fractions, the left of which became known as the Young-Hegelians, who gradually turned the light of rationalist and historical criticism upon religion in general, and Christianity and the Gospel in particular. The best known and most radical critic of this type at that time was Ludwig Feuerbach (1804-1873), who in his work, "Wesen des Christentums" (Essence of Christianity), published in 1841, argued that God was but an idealisation of man's own mind, and that religion was merely an ideological reflex of man's emotional, intellectual and moral needs ; not God created man, but man created God according to his mental image ; man's corporeal existence was the centre of all religion and philosophy ; the consciousness, or the complex of man's ideas must be explained from his real existence, and not the latter from his ideas. But, while German thought thus became materialist and naturalist in religion and philosophy, it remained idealist in the domain of human history and social science. Even Feuerbach himself remained indifferent to industrial and social problems and recommended as a remedy for the social ills humanitarian lovingkindness. He remained a Liberal, like most Young-Hegelians.

It was the youngest of the Young-Hegelians, namely, Karl Marx, who looked from a materialist point of view also upon the wide field of human history and social science and applied Hegelian dialectics particularly to economics. If Feuerbach said that the proper study of the theologian and philosopher was the corporeal man, Marx said that the proper study of the historian and social philosopher was civil society, the basis of which he thought to have found in political economy, since the consciousness or systems of ideas of any society could only be explained from the material production of that society. Marx's object was by no means purely theoretical or scholastic ; his aim was, from the first, not only to interpret but to change or revolutionise society, or to make the vital interests and principles of the productive class the ruling interests and principles, to make the transition from capitalism to communism the conscious effort of the proletariat.

### 3.—MATERIALIST CONCEPTION OF HISTORY.

The materialist conception of history or social life does not by any means assert that man is only actuated by material motives, or personal gain and pleasure. It has nothing to do with the utility theory or the felicific calculus of the eighteenth century materialists or of Jeremy Bentham and his school. Its real meaning is that the basis or the fundamental structure of society is material production and the social circumstances under which production

is carried on, and that this basis, through its reactions upon the mind, determines the forms of morality, religion, philosophy, art, etc., or the ideology of society ; hence it follows that with the changes of material production a transformation of the whole social life and its ideological forms sets in. For, according to Marx, the essential function or the life process or the physiology of any given society (communal, national, Imperial and international) is production of the material goods necessary to sustain life. This life process is of transcending importance and impresses and moulds, more than anything else, the instincts, emotions, reasoning faculties and volition of man in society.

Material production of society consists of two sets of factors—(i.) forces of production ; (ii.) circumstances of production. The latter group rests on the former and is dependent on it, both composing the ground structure or basis of society.

The forces of production are inanimate and personal ; the inanimate forces are the soil, climate, minerals, water, steam, electricity, tools and machinery ; the personal forces are mental and manual workers, inventors, organisers, managers, technicians, and all persons employed in the transport of raw material from the place of origin to that of production.

The circumstances of production are the social relations between the various classes, groups and members of society, or the forms of property and government.

Those two sets of factors form the basis or the fundamental structure upon which is raised an immense superstructure of various and diverse forms of emotions, feelings, illusions, thoughts and conceptions of life, or religion, art, philosophy, etc.

In class society, each class, through their leaders and spokesmen, create and mould out of their respective material foundation and social circumstances their ideas, aims, and institutions. The single individual who receives those ideas through tradition or education, generally imagines that they are the original and real determinants of his mentality, his volition and activities, and that he is acting from motives directly generated by pure reason, morality, divine law, religion, etc.

But the human mind is not a passive organ. For, “man is himself the agent of material production as of any other activity that he performs. Therefore, all conditions which affect man as a subject of production, modify more or less all his functions and activities, including those which he performs as creator of material wealth or commodities. In this respect it can be shown that all human functions and conditions, how and whenever they may appear, exercise a more or less decisive influence on material production.” (Marx, *Theorien über Mehrwert*, Vol. I., p. 381). Or as Marx observes, “The old materialist doctrine that man is the product of

circumstances and education, forgets that it is man who changes the circumstances." (Marx, *Observations on Feuerbach*, 1845).

Material production, man's functions and activities in production, and with them the whole ideological superstructure, have in the course of history undergone many changes that have revolutionised society. The question is—How did they come about? What is the dynamic law of history?

The revolutionary changes in society depend on the changes in its fundamental structure, that is, in the productive forces and circumstances of production. Discoveries of new raw materials, minerals and markets, the invention of new labour processes in field, mine and workshop, the introduction of new tools and machinery, scientific organisation of trade and commerce, increase of skill on the part of the workers, greater productivity of labour—the working of these factors results in an expansion of the productive forces, in an alteration of the circumstances of production: in a disturbance of the old social relations, in the unfolding of a class struggle, and, finally, in a mass assault upon the legal and political system and the whole old ideology. For the circumstances of production: the relation between former social classes, the former laws regulating property, the former institutions and ideological systems were generated by and adapted to a state of productive forces which is either in process of disappearing, or no longer exists. The social and mental superstructure no longer corresponds to the economic foundation. The contradiction between the productive forces and the circumstances of production becomes more and more manifest and leads to social unrest, anxious doubt and questionings, disputes and strife, acute class struggles and revolutionary upheavals.

Or as Marx says:—"To the extent that the labour process is a simple process between man and nature, its simple elements remain the same in all social forms of development. But every definite historical form of this process develops more and more its material foundations and social forms. Whenever a certain maturity is reached, one social form is discarded and displaced by a higher one. The time for coming of such a crisis is announced by the depth and breadth of the contradictions and antagonisms, which separate the conditions of distribution and with them the definite historical forms of the corresponding conditions of production, from the productive forces, the productivity, and the development of their agencies. A conflict then arises between the material development of production and its social form." (Marx, *Capital*, Vol. III., p. 1030, English edition).

The revolutionary period, the most striking symptom of which is the rise of an oppressed class to political power, closes only when the social order that had become full of conflict liberates the productive

forces from the fetters of the old conditions of production and creates the material, political and mental possibilities for the new social order.

#### 4.—CLASS STRUGGLE.

“ Our revolution (the French revolution) was a terrible struggle of antagonistic interests. If not, what was the revolution for? . . . I consider this as a fact, an unpleasant one, but none the less a fact. . . . Since when does a fact cease to be one because it is charged with evil and danger? Since when are societies, even prosperous ones, free from contests and disruptions which displace the power, the wealth, the dignities, and which arise even from prosperity itself? I am not inclined to foment divisions and conflicts; I simply believe that we must recognise and even openly admit them in order to be able to heal them.”

Guizot, *Des moyens de gouvernement et d'opposition*.  
(Paris, 1821; pp. 182-183).

Since the establishment of class society, a struggle between the exploited and the exploiting class is going on, with various degrees of intensity. The subjected and disinherited class tries, as soon as opportunity offers itself, to recover some part of its produce and to restore some measure of social equality, or even to overthrow the dominant class. The struggle becomes acute, assumes a revolutionary character, and rises to the level of a great historic drama, not primarily through misery and starvation (although some temporary economic crisis, a season of bad trade, may contribute to or accelerate the outbreak of the class struggle), but through the old circumstances of production turning into a hindrance to the progressive development of the productive forces, when the available possibilities for enlarging the sources of wealth, or for the economic ascent of the oppressed class and for increasing the general welfare, are being crippled by the old property laws and governmental arrangements which control the economic and political relations of society. In this struggle the exploiting and ruling class has the advantage of a clearer and more coherent and responsive consciousness, since the society over which it holds sway is fully developed and exhibits well defined contours, so that it is easily grasped by the mind; the ruling class enjoys likewise the advantage of education and of the knowledge of using the governmental and administrative machinery or the organised political power with a view to maintain its material and ideological domination. On the other hand, it is the weakness of the exploited and struggling class that its consciousness is blurred and can only be slowly developed, since the social order, for which it is striving, has not come yet into being, or is still in the process of formation and therefore cannot be clearly focussed, reflected and interpreted by the mind;

it suffers likewise from the disadvantage of an imperfect education and unfamiliarity with the exercise of political power. The personal qualities and rule of the leaders of an oppressed and struggling class are therefore of supreme importance. It was this consideration which made Marx so critical, so "intolerant" in his intercourse with the representatives of the labouring class.

Ancient history experienced long periods of class conflicts; they are marked by the rise of great legislators (Moses, Lycurgus, Solon), popular leaders (Prophets, Gracchi, Catiline, Spartacus), dramatists and social philosophers (Aristophanes, Plato), who either attempted to conciliate the conflicting class interests by reform legislation or by fervent appeals to the rulers to do justice to the enslaved debtors and impoverished bondsmen, or who depicted the clash between new social, moral and legal demands on the one hand and the traditional customs, religious rites and notions on the other, or, finally, tried to draw up ideal societies. In the centuries of the successive decay of mediaevalism in the various countries and the dawn of modern times, we find again great dramatists, social philosophers and reform legislators. And contemporary life, which is characterised by the decomposition of capitalist society and the painful birth of a new social order, is likewise distinguished by a long series of class struggles, and they find expression in heated polemics on subjects of social philosophy and economics, in drama, fiction, music, painting, and sculpture. In all those periods the legislators, philosophers, poets and artists were and are in the great majority on the side of the decaying order, and for the same reason which we explained above with regard to class consciousness, the old order having been fully developed, leaves stronger and clearer impressions on the mind than the nascent order, the outlines of which are still dim, being perceptible only to the genius and "visionary."

The class struggle which is now going on transcends in importance all previous struggles, since the capitalist order is the last economic formation of class society; whilst the previous struggle resulted only in a new stratification of classes, the present-day struggle will result in the abolition of class society, in the establishment of economic equality, based on labour. The original antagonism of the worker and capitalist, though concerned only with wages and working hours, grows in the course of time with the progressive unfolding of the industrial system, into an impassionate struggle for political power on a national and international scale. Great class struggles inevitably become political struggles, the immediate object of which is the possession of political power, with the aid of which the capitalist class endeavours to maintain and secure its dominating position, whilst the working class aims at the conquest of political power with a view to emancipate itself from class domination, from the tribute of surplus-labour. This aim, which is the

natural outcome of its social condition, can only be achieved in a society that collectively controls the means of production. The establishment of such a social order on a secure and permanent foundation will be the work of protracted experimental work and struggling against traditional ideas, old-acquired rights, and invidious hostilities of the adherents of the past order. It will have to undergo "a whole series of historical processes, in the course of which men and circumstances alike will be changed" and adapted to the new social principles of property, production and distribution.

The means of production will gradually be socialised, production will be placed on a co-operative basis, education of the children and youth will be combined with productive work, in order to transform the members of society into producers and thus to remove from labour the taint of dishonour which has been attached to it during the existence of class society in all its phases. During the transition period from capitalism to communism equality of distribution of the produce is not possible, since "rights cannot outstrip the economic structure of society and the ideological development which it determines," and the transition society bears still the egg-shells of the old class society. Only in a fully developed communist order, after the distinction between mental and manual labour has disappeared, when productive activity has become with every member of the commonwealth an elementary need, a spontaneous duty of existence, when an all-round development of the personal and the inanimate productive forces has been achieved, and all the springs of co-operative wealth flow abundantly—only then can the narrow bounds of the bourgeois idea of right be extended and the communist principle of equality be put into operation."

To this economic transition period corresponds a political transition period, the government of which can be nothing else but a revolutionary dictatorship of the proletariat which must be backed by the labouring masses. It is a government primarily in the interest of Labour, for only from the policy of pursuing and protecting those interests will communism emerge as a natural product. The working class has no *a priori* ideas to realise and no artificially constructed models to look up to. The communist society can only be the *a posteriori* product of a proletarian policy.

### III.—POLITICAL ECONOMY.

“ . . . My inquiries resulted in the view that the legal and political conditions cannot be explained by themselves nor by the so-called general progress of the human mind, but that they are rooted in the material conditions of civil society and that the physiology of civil society is to be discovered in Political Economy.”

—Marx, *Contribution to a Critique of Pol. Economy*, 1859. (Preface).

#### 1.—THREE SCHOOLS OF POLITICAL ECONOMY.

Political economy deals with the social circumstances and relations under which the production and distribution of commodities are carried on in the present society.

Marx distinguishes three schools of political economy, viz., the classical, the critical, and the vulgar.

The classical school covers the period from the latter half of the seventeenth century to the first quarter of the nineteenth century, or the period of the inception and development of the Industrial Revolution. This period, Marx thinks, was rich in great and original economic writers in Great Britain, France, and Italy. Its leading minds were Sir William Petty; the French Physiocrats (Quesnay, Turgot, Mercier de la Rivière); Adam Smith, and David Ricardo. This school is fairly free from any conscious bias in favour of capitalism, its main object being to inquire into the process of production and distribution of wealth, to discover the laws that govern it, and to point out the technical and political means which favour or hinder its progress.

The critical school arose in the latter phase of the industrial revolution. The first industrial crises, the mass protests, rebellions, and open-air demonstrations of the working population, caused a good many economic and social writers and observers to inquire, with a critical eye, into the workings, tendencies and social results of the new industrial system, to find out the respective parts played by Capital and Labour in the process of wealth production and to probe into the condition of the labouring population. The pioneers of this school were Charles Hall, Charles Fourier, Robert Owen, Saint Simon and his school, Sismondi, Ravenstone, Hodgskin, W. Thompson, and some anonymous pamphleteers.

The vulgar school arose simultaneously with the critical school and from the same causes, but with a contrary purpose, namely, to justify the present order. Even its best brains do but voice, in a more or less literary language, the opinions, illusions, imaginings of the commercial and trading class with regard to the existing economic order. They have a conscious or instinctive dread of following up critical views to their logical conclusion, to the formulation of theoretical generalisations. They take the surface form or appearance of economic phenomena for their essence and principle. This school began with Rev. Malthus and went on gaining adherents in the same proportion as the critical school merged in the social revolutionary movement.

## 2.—MARX'S LEADING PROBLEMS.

In his study of Political Economy, Marx sought for a reply to the following questions :—

First, social history being an evolutionary process, the present society is but a stage in human evolution. The question was—How did this society arise, and whither did it tend ?

Secondly, capitalist society being a class society in which the exploited class, though nominally free, supplies surplus productive labour to the capitalist class, the question was—How did this production go on ? What were the economic categories (fixed concepts and technical terms) which expressed the social relations and conditions characteristic of the capitalist society ? What happened with this product of labour and surplus labour ? In what manner, and by what measure, were they circulated and distributed ?

With these leading problems, which logically follow from his general views (dealt with above in Chapter I.), Marx applied to the classical and critical school for light.

## 3.—THE REPLIES OF THE VARIOUS SCHOOLS.

To the first question he could get no reply from either of those schools, since they all assumed that Capital and Labour had existed, in one form or another, since the dawn of human history ; “there had always been rich and poor” ; but while the classical school thought that the condition of Labour was improving and would go on improving with the growth of liberty, the critical school argued that with the advent of machinery and, generally, since the rise of the factory system, the lot of the labouring poor or the producers had undergone considerable deterioration and, moreover, could not be improved but either by a return to the old conditions of production or by a system of co-operation. They all lacked the evolutionary view, the only exception being Charles Fourier, who in his *Quatre*

*mouvements* (1808) clearly discerned a gradual development of human society from lower to higher stages of general well-being.

Much more light was thrown by the classical and critical schools on the second question or series of questions. Here Marx found a good deal to build upon. In the classical school, particularly in Smith and Ricardo, he found his view supported that the essence of all commercial values was labour, that they were indeed the concrete expression of the social labour spent in their production, and that capital or accumulated labour employed in production yielded a profit or a surplus to the capitalist. In Ricardo he found that profit and wages stood in an inverse ratio or were antagonistic to one another, which could only mean that in the same measure as the workman succeeds in getting payment also for his surplus labour he reduces the amount of profit, since this had its source in surplus labour.

In the critical school this relation between profit and wages was revealed as a relation between a socially powerful class and a powerless class, the former exacting surplus labour from the latter.

But all those reasonings of both schools were far from being definite, distinct, or consistent. Moreover, the classical school left the class relations theoretically unaffected, while the critical school either saw in them an injustice, a moral flaw, an obstacle to happiness, or sought to remove it by advising the working class to run away from it into village communities and distant communist colonies.

Guided by his general sociological views (as stated above in Chapter I.) and strengthened by constant observations and studies, Marx undertook to give a systematic reply to his problems by analysing the whole capitalist system, by showing its rise, workings, and tendencies. He made use hereby of the reasonings of the classical and critical schools concerning value, wages, profit, and surplus labour as his points of departure, freeing them first from their ambiguities, imperfections and inconsistencies.

#### 4.—MARX'S ECONOMIC GROUNDWORK.

“The finished configuration of the economic relations, as they present themselves on the surface or in their empirical existence, and therefore also in the notions of the agents of those relations, are very different from, aye, they are inverted and antagonistic to their inner, essential, but concealed core, and to its corresponding conception.

—Marx, *Capital*, Vol. III., p. 244-45 (English edition).

Capitalism, like feudalism before it, forms a stage in the unfolding of class society. The mission of feudalism was to render production and social life possible after the turmoil consequent upon the break-

down of the Roman Empire and the migration of races. The mission of capitalism has been to unlock and multiply the productive forces, to open up the available sources of wealth and make them flow abundantly. This is the justification of its existence, its *raison d'être*.

Capitalism is the last stage of class society ; in the same measure as, after having reached its culminating point, it is declining in strength and in ability to fulfil its mission and to control the forces of production, a more or less rapid process of transformation of society sets in and gives rise to contradictory forces—to socialist organs and features (concentration of the means of production, independent organisation of Labour, legal and trade union restrictions of capitalist control, political equality, etc.).

### *Capital.*

The sovereign power under capitalism is Capital ; its social power is based on the possession and control of the sources and instruments of production. By means of this power it exacts from the manual and brain workers surplus labour and makes them perform the productive, dangerous and menial work, which under a system of economic equality would be shared by the whole community. The manual and brain workers are only allowed to work for their own living if they spend a certain part of their time in production for the capitalist class. The acquisition of surplus labour is the main motive of capitalist production.

### *Exchange Value.*

The soil, raw materials, machinery, tools, buildings, etc., when used from that motive and under those circumstances of production, are capital. The goods produced under those conditions are not made for the use of the employers. The latter, after having received them from Labour, exchange them on the market and they do not reach the consumer, that is, they are not regarded as utilities or use values, until they have gone through a series of exchanges effected by middlemen. The goods become merchandise, articles of trade, valued and exchanged in proportion to their cost of production (prime cost *plus* profit) or, what amounts to the same thing, in proportion to the labour which they embody, for, cost of production consists (1) of capital expenditure which is nothing else but accumulated labour and which reappears in the new commodities ; (2) of surplus labour of the workers, which reappears in the shape of commercial profit.

### *Productive Labour.*

Productive labour in a capitalist sense is that labour which contains surplus labour or yields a profit, an accretion of new capital.

*Use Value.*

The commodities produced in field, mine, and factory, come on the market as masses of exchanged values or as materialised labour power and skill of the working class. But they can only be marketed and their exchange values realised if they possess utility or use value or, what amounts to the same thing, if there is a demand for them. Utility or use value is the bearer of exchange value, but not its cause and source. The same useful commodity, could it be procured without labour, would possess no exchange value at all, while on the other hand, there can be no exchange value without use value, without such a bearer of labour. The amount of use value needed by society, or, more correctly, by the paying members of society, or the volume of effective demand is the limit of production of exchange values, or of the realisation of the exchange value of the produced goods; the reduction of the total quantity of labour to the level of effective demand is the work of competition. (*Capital*, Vol. III., p. 226-227; p. 745-746). Demand is a biological and social condition of existence, and is, as a rule, not created by the capitalist class; it is only the opportunity of capital as possessor of the means of production for using its power to exact surplus labour from the productive workers. Profit and not use is the leading motive of capitalist production. Capitalism is shaken to its very foundation, if we make use and enjoyment and not profiteering the leading motive of production. (*Capital*, Vol. II., p. 136).

*Price.*

Exchange value is the essence of price. Price is value modified by the rate of profit, as it will be shown later on, further by market fluctuations, by supply and demand, etc.

The price is expressed in the form of money, either as gold or some other commodity, which is an embodiment of labour and possesses therefore exchange value. It is, as a medium of exchange, only in so far superior to other commodities as it is a generally accepted form of value, and subject to its containing an equivalent of labour, is easily exchangeable for the commodities required. Paper money serves the same purpose, if it is based on gold or some other commodity produced by labour. Money is not a mere token based on convention. The introduction of money is epoch-making in human history, though it is but the effect of the incipient commercialisation of society. It has greatly facilitated the opening up of new sources of wealth, but also the exaction of more and more surplus labour from the working population by the possessors of the means of production.

*Wages.*

As important as the understanding of the meaning of capital and exchange value is that of the meaning of wages. If the meaning given by Marx to capital and exchange value is correct, then the

definition of wages, as given by the classical school, cannot be correct. According to that school, wages are the equivalent of the labour which the labourer gives to his employer. Were this proposition correct, then the values or price of the commodity would be equal to the amount of wages *plus* materials. In reality it is not so. Value or price is always higher than the wages and the cost of materials used in production. Were value equal to wages, *plus* cost of materials there could be no profit, no accretion of capital, no accumulation. For the mere act of raising the price of a commodity by a certain percentage does not add any value to that commodity, does not create new capital. Commercial transactions can only intercept certain fractions of surplus value created in production and thus influence the course of distribution, but no amount of commercial calculations can create new sources of value out of which profit, rent and interest could be paid.

### *Surplus Value.*

Yet there is some truth in the classical definition of wages, but not the whole truth. The classical economists and, indeed, all economists before Marx spoke indefinitely of "wages of labour," while they really meant labour power. It is quite true that the wage is more or less the equivalent of the labour power spent by the worker in production. The capitalist and the worker exchange certain quantities of commodities in proportions determined by economic laws (means of subsistence sufficient to replace the labour power spent in production, that is, exchange-value against exchange-value). But the economists "failed to notice that if a commodity has use value and exchange value, then also the labour which is embodied in the commodity has a two-fold nature, namely, not only exchange value, but also use value." (Marx). And it is the use value which the capitalist buys and which has this remarkable quality that it can produce exchange value in excess of the wages (of its own exchange value). And it is this excess of exchange value or surplus value, which expresses, in terms of political economy, the payment of the tribute of surplus labour by the workers to capital. "The recognition of this point is the whole secret of the critical attitude towards political economy." (Marx, quoted in *Labour Monthly*, Sept., 1923, p. 177-78).

Surplus labour or surplus value is the reservoir from which profit, interest, rent are drawn. "In contradistinction to all former economists who from the start deal with the various fractions of surplus value in their fixed forms of rent, profit, interest as something self-evident, as economic categories which need no explanation and no tracing back to their origin, I deal first with the sources from which they spring, namely, surplus values, in which they are, so to speak, in solution." (Marx, *ibid.*)

*Sociological importance of the wage-form.*

And this surplus labour or surplus value is exacted under legal forms and is, apparently, covered by the payment of wages ! No physical force or violence is hereby used, no robbery or cheating committed ! “ The wages of labour,” says Marx, “ are for the first time shown in my book to be an irrational form, behind which is concealed the social relation between the exploiters and exploited.” (Marx, *ibid.*, p. 178). “ The wage-form extinguishes every trace of the division of the working day into paid and unpaid labour ; all labour appears to be paid labour. Under villeinage (under the feudal system) the labour of the worker for himself and his compulsory labour for the lord differ in space and time in the most unmistakable way. In slave labour, even that part of the working day in which the slave is only replacing the value of his own means of subsistence, in which therefore he works for his own living, appears as labour for his master ; all the slave’s labour appears as unpaid labour. In wage-labour, on the contrary, even surplus labour or unpaid labour appears as paid. There, the property relation conceals the labour of the slave for himself ; here, the money relation, the cash nexus, conceals the unrequited labour of the wage-labourer. Hence we may understand the decisive importance of the transformation of value and price of labour-power into the form of wages, or into the value and price of labour itself. This phenomenal form which makes the actual relation invisible, and indeed shows the direct opposite of that relation, forms the basis of all the legal notions of both labourer and capitalist, of all the mystifications of the capitalist mode of production, of all its illusions as to liberty, of all the apologetic shifts of the vulgar economists.” (*Capital*, Vol. I., pp. 550-51, London edition, 1899, or pp. 590-92, American edition ; Vol. II., pp. 38-39, American edition).

After having dispersed the fog in which the classical school found itself with regard to all concepts of capital, exchange value, wages, and profit, and by which the critical school found its progress obstructed, Marx proceeded with his analysis.

*Constant and Variable Capital.*

Capital employed in production he divided into two parts ; into constant and variable. Constant capital he called that part which is spent on the inanimate means of production (buildings, machinery, raw material, motor power, etc.) ; it is constant, for it only adds just as much value as is used up in the course of production ; it creates no additional value. Variable capital is that part with which the workers are paid in wages ; it adds surplus value ; it reappears in the new products with an additional value.

Constant capital =  $c$  ; variable capital =  $v$  ; surplus value =  $s$ .

Hence,  $c + v$  = prime cost ;  $c + v + s$  = exchange value.

The rate of surplus value, Marx calls the proportion of surplus value to variable capital, or  $\frac{s}{v}$

Suppose  $c$  to represent £100,  $v$  £40,  $s$  £40, then the rate of surplus value on  $\frac{s}{v} = 100$  per cent., for from £40 paid in wages the surplus value was also £40.

### *Surplus Value and Profits.*

Surplus value, as we know, is the source of profit. Commercially, however, they are not identical. For, while surplus value is calculated in proportion to the amount of wages spent on production, profit is calculated in proportion to the whole capital advanced, that is, both to constant and variable capital. Take the example given above. The employer spent £100  $c$ , £40  $v$ . Total £140. The profit was £40. Then the rate of profit will therefore not be 100 per cent., but  $\frac{40}{140}$  or  $\frac{s}{c+v} =$  about 28 per cent. The rate of profit is always smaller than the rate of surplus value.

Hence,  $\frac{s}{v}$  denotes the rate of surplus value or the rate of the exploitation of labour;  $\frac{s}{c+v}$  denotes the rate of profit.

### *Organic Composition of Capital.*

Marx lays much stress on what he calls the organic composition of capital, or the ratio of  $c : v$  employed in the various trades. The higher a trade is technically and commercially developed (that is where the most modern appliances and processes are applied and production on a large scale is going on), the larger is the ratio of constant capital to variable capital; in such a trade the organic composition is high, the ratio of  $c : v$  may be, for instance, 80 : 20, that is, for every £80 spent on constant capital, only £20 are spent on variable capital (wages). On the other hand, in backward trades the proportion of  $c : v$  may be, for instance, 50 : 50 or even 40 : 60; this is a low organic composition of capital. In the former, a large mass of constant capital (raw material, tools, machinery, etc.) is consumed per unit of variable capital, so that in one working hour much more commodities are produced than in a trade of low organic composition. In capital of a high organic composition, the productivity of living labour is much greater than in capital of a low organic composition; or, in other words, the amount of living labour spent on the production of a commodity unit is, in trades of high organic composition, much smaller than in trades of a low organic composition.

Now we know that it is only variable capital or living labour which produces or pays the tribute of surplus value or profit (since

profit is but the proportion of surplus value to the total capital advanced). If this theory of Marx is correct, then it logically follows that equal capital, with different organic compositions (for instance, 80 : 20, and 60 : 40) will permanently produce unequal surplus values and therefore different rates of profits, which is contrary to experience in capitalist life, where a constant process towards an equalisation of the rates of profit in the various spheres of production is going on.

### *Average Rate of Profit.*

In reply to this, we must recall the conception of Marx as to the individual capitalists forming a united class, an exploiting corporation, wherever they stand face to face with the labouring class or when they have to divide among themselves the tribute of surplus labour ; further, that the divisor of any profit of a corporation is the amount of capital, or the share capital, which each of its members invested in the business. This consideration will help us to solve the problem of the formation of an average profit rate out of the different rates of exploitation or surplus values.

Suppose four capital outlays with different organic compositions :

- I.  $c$  80,  $v$  20,  $\frac{s}{v}$  100%, exchange value 120, profit rate 20%  
 II.  $c$  50,  $v$  50,  $\frac{s}{v}$  100%, exchange value 150, profit rate 50%  
 III.  $c$  70,  $v$  30  $\frac{s}{v}$  100%, exchange value 130, profit rate 30%  
 IV.  $c$  90,  $v$  10  $\frac{s}{v}$  100%, exchange value 110, profit rate 10%

Total capital 400, surplus value 100%. Total values 510.

The total capital of £400, considered as being the property of the capitalist class, yields a total profit of 110 (or  $\frac{110}{400}$ ) that is an average profit rate of  $27\frac{1}{2}$  per cent. Competition, transfer of capital, or withdrawal of capital from one trade to the other renders it possible that capital outlays of equal magnitude in different trades, despite their different organic composition, yield the same average rate of profit. Or the capital outlay of any single manufacturer yields an average profit rate, not according to the surplus value which it industrially exacts from Labour, but as an integral part of the total capital of the employing class. It is a share capital of a big concern, and its dividend is paid proportionately to its magnitude out of the total mass of surplus value (or unpaid labour) which the whole variable capital produces. And it is in the interest of the shareholders that each of them should exact the largest amount of surplus labour in order to increase the total sum of surplus value or to raise

the average rate of profit to its highest power. Hence the solidarity of the employers in dictating the conditions of labour. This average rate of profit added to the prime cost (or to  $c+v$ ) forms the price of production ( $pp$ ).

The price fixed in that manner is equal to the expense of capital plus the average profit ( $c+v+pp$ ).

The price, therefore, deviates from exchange value, but the centre of gravity of price is exchange value. Exchange value is like the sea level, prices are like the waves of the sea.

### *Distribution of the Surplus Value.*

The fund of surplus value is distributed among the capitalist and the landlords, or as profit of capital and ground rent. Profit of capital includes also interest on capital and remuneration of the activity of the employer or his works, if he is active as organiser, superintendent, etc.; however, the part of surplus value which falls to his share stands in no relation to his business activity, but to his social standing as capitalist, as member of the ruling and exploiting class, as well as according to the amount of capital he has invested in production.

As to ground rent, there is absolute rent and differential rent, according to the law of the average profit rate, the spheres of production of a low organic composition produce a higher rate of surplus value, since more variable capital is employed in proportion to constant capital.

Assume that the average organic composition of agricultural capital is  $c$  60,  $v$  40, rate of exploitation 100 per cent., then the exchange value will be  $60+40+40=£140$ , while non-agricultural capital has an organic composition of  $c$  80,  $v$  20, rate of exploitation 100 per cent., then the exchange value will be  $80+20+20$ , total £120. The average profit rate is, however, as shown above,  $27\frac{1}{2}$  per cent. If the farmer sells his agricultural produce at its value, he sells it for £140 and has for £127½ its price of production or cost price, for which he would have to sell it if there were competition in land. But here the landlord comes in and takes from the farmer the £12 10/- as absolute rent, or the difference between value and cost price.

As to differential rent, we need not deal with it here, since in this respect Marx does not differ from Ricardo.

### *Simple and Enlarged Reproduction.*

The question of the balance of production and consumption in any given society occupied some of the greatest economists since Quesnay drew up his *Tableau économique*, in which he tried to give a rough outline of the circulation of the annual produce among the various groups or classes of society. In the last section of Volume II. of his *Capital*, Marx deals with this problem and attempts to

show the mathematical proportions in which production and consumption stand to one another, whereby he assumes that the whole society is built up on the capitalist basis. He divides capitalist production into two sections, into production of means of production and of the means of consumption. He gives first a diagram of *simple reproduction* (that is the rough outline of a society producing means of production and consumption, which are just sufficient to satisfy the demands of each section and leaves no margin for extending the scope of production) and then a diagram of *extended reproduction* (that is a rough outline of a society which annually produces more means of production than actually necessary, in order progressively to enlarge production, to increase the surplus value, or to accumulate).

For the understanding of the following tables it is necessary to remember that the figures represent proportions only.

Marx's table of simple reproduction is as follows :—

|                                       |                |
|---------------------------------------|----------------|
| I. (means of production) :            |                |
| 4000 $c$ + 1000 $v$ + 1000 $s$ = 6000 | } 9000 values. |
| II. (means of consumption) :          |                |
| 2000 $c$ + 500 $v$ + 500 $s$ = 3000   |                |

Section I. produces annually for itself 4000  $c$  and for Section II. 2000  $c$  = 6000 means of production. Section II. produces annually for itself 1000 values, since only with  $v$  and  $s$  (500 + 500) things can be bought, and 2000 for Section I., which pays for them with 1000  $v$  + 1000  $s$ .

The whole production of Section I. covers the needs of both sections as to means of production; the whole production of Section II. corresponds exactly with the amount of  $v$  +  $s$  of both sections. Nothing is accumulated for any extension of production.

The proportion between  $c$  and  $v$  is everywhere 4:1; the proportion between I. and II. is 2:1.

Now to the table of extended production :—

|                                       |                |
|---------------------------------------|----------------|
| I. (means of production) :            |                |
| 4000 $c$ + 1000 $v$ + 1000 $s$ = 6000 | } 8252 values. |
| II. (means of consumption) :          |                |
| 1500 $c$ + 376 $v$ + 376 $s$ = 2252   |                |

First, we see that accumulation can only begin in a society which produces more means of production than it annually consumes. The society, which this table represents, produces in the first year 6000 means of production and consumes only 4000  $c$  + 1500  $c$ , so that 500 remain, besides the 4000  $c$  reproduced, so that it starts the second year with 4500 means of production. As to the circulation in the first year, Section II. buys 1500  $c$  from Section I.; having paid away 1500 of its consumption values, there remain 752 for its own use, that is for 376  $v$  + 376  $s$ . Society starting the

following year with 4500 means of reproduction employs more variable capital and produces more surplus value, therefore Section II. (produce of means of consumption) likewise enlarges its scale of production, but always remaining behind Section I., since the production of the means of production must always be larger than the respective annual consumption, else no accumulation is possible.\*

Simple reproduction may be represented by a sphere. Extended reproduction is like a spiral, the outward end of which pointing towards a further extension.

### *Tendency of the Falling Rate of Profit.*

The transition of the process of production from a low organic composition to a higher one is only another name for the Industrial Revolution. It signifies, socially, the displacement of man by the machine. It means, economically, the relative increase of constant capital as against variable capital. For instance, if formerly £50 in wages would set £50 of means of production in motion and work them up productively, now only £20 in wages will set £80 of means of production in motion and consume them productively.

This fact is driving the Industrial Revolution forward. Let us see the reason for this statement.

As it is only living labour which supplies surplus labour or adds surplus value to the product, it follows that in trades at high organic composition the commodity unit contains less surplus value and

\* The chapter in *Capital*, Vol. II., Section III., and elsewhere, dealing with the economic tables or the diagrams of reproduction are not complete, Volume II. and III. having been left incomplete. The problem to which those diagrams have given rise is as follows :—Did Marx imply that capitalist society could go on absorbing its surplus capital or accumulations by extending production and thus infinitely keeping up an equilibrium of progressive production and consumption? Or did he simply give a rough outline of a certain number of years of capitalist economy? Or, finally, assuming that Marx would have had time to finish his *Capital* himself, would he have shown that earlier or later a point must be reached when the accumulations would lead to some catastrophe? And was he altogether right in assuming that the whole world was already capitalist?

If he meant to imply that capitalist economy could progressively go on without bringing forth that contradiction between the forces of production and the circumstances of production, or without producing economic and social crises, then no social revolution could arise; moreover, his whole sociological teaching would be at variance with his Reproduction Tables. Against the interpretation of those tables by some Marxists who saw in them final and dogmatic statements, Dr. Rosa Luxemburg, wrote her "Accumulation des Kapital," in which she combats that interpretation and attempts to show that Marx himself felt the unsatisfactory state of his tables, that he did not regard them as final, but as a methodical help, for, as a matter of fact, the earth was not yet everywhere capitalistically developed; hence, in the process of extended reproduction a period must arrive where the accumulations can no more be absorbed by the capitalist countries, but must be exported to still undeveloped regions and lay the foundation of Imperialist politics, with all its consequences and universal crises.

yields less profit, the production becomes less profitable; or as it is commercially expressed, there is a tendency towards a falling rate of profit. (This applies, of course, to normal times of international peace). The following table illustrates the falling rate of profit, while the mass of capital increases and the rate of exploitation is unaltered :—

$$\frac{s}{c+v} + \frac{50}{50+50} = 50\% \quad \frac{40}{60+40} = 40\% \quad \frac{20}{80+20} = 20\%$$

To counteract this effect the capitalist makes larger outlays of capital, extends the scale of production, organises his works in a more scientific manner, introduces more modern appliances, speeds up and intensifies labour, sharpens the weapon of competition in order to produce and sell cheaper and to recoup himself by an absolute mass of profit for the falling profit rate of the single commodity. "Small profits and large sales" make an increasing mass of profit.

In this process of transition from low to high organic composition the whole social strata of handicraftsmen, tradesmen, small manufacturers go under and sink to the level of the proletariat. The remaining giants of capital, after a sharp passage-at-arms, combine into companies, syndicates, trusts, mergers, etc., and the process of production is more and more perfected—scientifically, technically, and financially. The process of production becomes a scientific combination of associated labour; the main sources and means of production are concentrated in relatively few hands; the mass of the people are dependent for their living on the owners of capital.

### *Result of Capitalist Production.*

The result of the capitalist economic order of society is the unfolding of the productive forces, the efflorescence of science, the expansion of material civilisation, the periodic outbreak of crises, of devastating wars for the sources of raw materials, for profitable investments of surplus capital, for trade routes and Imperialist domination. On the other hand it resulted in a clear division of society into antagonistic classes, in the unfolding of a world-wide class conflict of a social revolutionary nature, in the more compact and international organisation of the working class; in short, in the creation of material and personal forces which are already tentatively engaged in reconstructing society on a higher economic and moral foundation.

## HINTS FOR STUDENTS AND CLASS-LEADERS.

By G. D. H. COLE.

---

### 1. TO STUDENTS.

(a) Neither the syllabus nor the lectures of the tutor or class-leader are a substitute for independent reading. You cannot profit by a course unless you read steadily in addition to listening and joining in discussion.

(b) You will get a grip of your subject best by writing. Make written notes as you read as well as in class, and try to put your impressions on paper in the form of essays and written work. Never mind making mistakes or writing badly. Practice is the only way to do better. An essay on half a sheet of notepaper, or a personal letter to the leader on some point that wants clearing up, will give you a start if you feel in a difficulty. It is of vital importance to you to be able to express yourself clearly on paper. It clears up your thinking and it adds greatly to your power to influence others.

(c) When you are reading, remember that a book is a tool. Read carefully, but don't waste time in being too careful. There are many books of which it is worth your while to read a few chapters or even a single chapter, but not worth your while to read the whole. Read that part of a book which contains the information you want. Learn, by practice, how to use the index to find what you want. Too hasty reading and too slow and conscientious reading are both enemies of successful study. Use your books as you use your tools. Learn also how to use your Public Library. Find out what it contains, especially if it includes a reference library, and get a sympathetic librarian or assistant or friend to teach you how to make full use of it.

(d) Take part in discussion. Heckle the class leader well on any point on which you are unsatisfied or in doubt. But, both in questions and in discussion, stick to the point and see that your fellow-members stick to the point. Discussions that are all over the shop are of no educational value.

(e) Regard the class, not as an end in itself, but as a means and a starting point. Try to learn how to follow up for yourself the points which interest you. Don't be content with what the class-leader tells you. Find out things for yourself.

(f) Attend regularly and punctually. It is no good belonging to a class unless you give it first claim before all other engagements. If ever you miss a class, make up the loss by specially careful reading, and ask the class-leader to help you on any doubtful point.

(g) Remember that for every worker who attends a class, there are still a thousand who don't. Try to equip yourself to be a class-leader and so help in the movement for working-class education. Try to get your Trade Union and other Societies to which you belong to take up educational work as a serious part of their functions.

---

## 2.—TO TUTORS AND CLASS-LEADERS.

(a) This syllabus is not intended to bind you down, but merely to help you. Modify it as you like, wherever possible with the co-operation of the class. Expand here, contract there: recommend for reading the books you think best. The syllabus is only meant as a *general* guide to method of study. But, where you modify it, let the students know in advance exactly how you propose to treat the subject.

(b) See that the class is as well as possible supplied with books. Get a book-box from one of the bodies which provide them (Club and Institute Union, Fabian Society, Tutorial Class Libraries, Central Library for Students, &c.). Select the books carefully yourself. See that the students make the fullest use of the Public Library (and its Suggestion Book). Talk to them about books and how to read and use them.

(c) Wherever possible, get the students to do written work, and make this as easy as possible for them by hints on writing, suggestions of subject and treatment, and so on. How much and how good their written work is depends largely on you.

(d) Stimulate questions and discussion, and don't do all the talking yourself. You should need to do progressively less as the class gains in knowledge and group cohesion.

(e) Don't be content with merely taking the class. Do all you can to give each student individually the help he needs.

**SIX INVALUABLE TEXT-BOOKS.** Paper, 1s.  
Cloth, 2s. 6d.

**THE CAPITAL LEVY EXPLAINED.**

By HUGH DALTON

**RENTS, RINGS AND HOUSES.**

By G. D. H. and MARGARET COLE

**OUT OF WORK.**

By G. D. H. COLE

*Cloth Only.*

**WORKMEN'S COMPENSATION.**

By W. H. THOMPSON

*Ready September.*

**ENGLISH FOR HOME STUDENTS.**

By F. S. ADKINS

*Ready October.*

**MUNICIPAL TRADING.**

By J. H. WARREN



THE LABOUR  
PUBLISHING COMPANY, LTD.,  
38 Great Ormond Street, London, W.C.1

**THE PLEBS LEAGUE** exists to cater for the needs of worker-students. It publishes text-books, pamphlets, &c., and a monthly magazine.

**PLEBS TEXT-BOOKS: 2/6 each (Post paid, 2/9)**

**An Outline of Modern Imperialism.**

A Compact Summary of International Affairs, 1880-1922.

**An Outline of Economics.**

With Chapters on Modern Production, Exchange, Banking, Export of Capital, &c., &c.

**An Outline of Economic Geography.**

Part I., Historical. Part II., The World of To-day.  
With 44 Maps.

Price 7d. Post Paid, 8d. 60 pp.

**What to Read: A Guide to Books for Worker-Students.**

(Economics, History, World Problems of To-day, &c., &c.)

**PLEBS, 162a Buckingham Palace Rd., London, S.W.1**

# THE COMMUNIST BOOKSHOP



The Communist Bookshop sells Books and Periodicals  
of ALL KINDS.

Literature for WORKER STUDENTS a speciality.

EXTENSIVE STOCKS of Standard and Current works  
on all Social, Economic and Scientific Subjects.

Any Books quickly obtained to order.

ORDERS BY MAIL are rapidly and efficiently attended  
to by a qualified and experienced staff.

Write for a Catalogue. Call and inspect the stock.

Send all your orders to the Communist Bookshop.



**16, KING STREET, COVENT GARDEN, W.C.2.**

*(Telephone : Gerrard 877)*