The *Grundrisse* (The 1857-58 Manuscript)

The Chapter on Capital: Part 9

Theories of Surplus Value (pp. 326-333)

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Marx turns his attention to how the "economists" have addressed the question of surplus value; he will look at, in order, Ricardo, the Physiocrats and Adam Smith, before returning to comment on Ricardo again.

(1) Ricardo

Ricardo, Marx notes, is accused by other economists of not having understood the surplus. (Marx excepts Malthus from this criticism, for Malthus, he notes, "at least tries to proceed scientifically". (Marx 1973, p. 326)); but Ricardo, Marx argues, "among all the economists [...] alone understood it". This is demonstrated by his "polemic against A Smith's confusion of the determination of value by wages and by the labour time objectified in the commodity."[1] (Marx 1973, p. 326) In comparison, Ricardo's critics—"[t]he newcomers"—"are just plain simpletons."

Ricardo errs, says Marx, however, in the following. Despite understanding that "the creation of surplus value is the presupposition of capital", he sometimes "goes astray in understanding [...] [that there can be an] increase of values [...] by means other than [...] that [there is] more objectified labour time [...] invested in the same product." (Marx 1973, p. 326, translation modified according to Marx 2006, p. 242) (What I understand Marx to mean by this comment is the

[1] Ricardo (2004, pp. 16-17): "It cannot then be correct, to say with Adam Smith, 'that as labour may sometimes purchase a greater, and sometimes a smaller quantity of goods, it is their value which varies, not that of the labour which purchases them;' and therefore, 'that labour alone never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared;' but it is correct to say, as Adam Smith had previously said, 'that the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging them for one another;' or in other words, that it is the comparative quantity of commodities which labour will produce, that determines their present or past relative value, and not the comparative quantities of commodities, which are given to the labourer in exchange for his labour."

following. For Marx, given a specific mass of commodity product, the value of this will change if more or less labour-time is objectified in it, i.e. if the conditions of production change. The total value of a given mass of commodity product is therefore equal to (or proportional to) the total amount of labour-time required for its production. The *per-unit* value of a given commodity is therefore equal to (or proportional to) the *average* amount of labour-time required for its production, calculated on the basis of the whole mass produced of that commodity. Ricardo, by contrast (specifically in his discussion of rent), argued that the value of a given commodity was determined not by the average of the the total labour-time required for the production of the whole mass of product, i.e. by the totality of conditions of production, but only by the least favourable (most costly) conditions of its production.[2] It is therfore possible in Ricardo for a given mass of objectified labour-time to express itself as differing mass of value.[3]

But the only way for the amount of value produced to increase, counters Marx, is for more labour to be objectified in the product: by an increase in the (overall) difficulty of production, say, or by an increase in population (such that there be a "natural increase among workers resulting from the growth of capital").[4] (Hence, Marx argues, in Ricardo "the absolute antithesis in his thinking between value and wealth.Hence the one-sidedness of his theory of ground rent; his erroneous theory of international trade, which is supposed to produce only use value (which he calls wealth), not exchange value." Marx does not expand on any of this.[5])

In short, Ricardo

> never investigates where actually the distinction between the determination of value by wages and that by objectified labour comes from. Money and exchange itself (circulation) threfore appear only as purely formal elements in his economics; and although, according to him, economics is concerned only with exchange value, profit etc. appears there *only* as a percentage share of the product, which happens just as much on the basis of slavery. He never investigated the form of the mediation. (Marx 1973, p. 327)

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[2] Ricardo (2004, p. 73): "The exchangeable value of all commodities, whether they be manufactured, or the produce of the mines, or the produce of land, is always regulated, not by the less quantity of labour that will suffice for their production under circumstances highly favourable, and exclusively enjoyed by those who have peculiar facilities of production; but by the greater quantity of labour necessarily bestowed on their production by those who have no such facilities; by those who continue to produce them under the most unfavourable circumstances; meaning—by the most unfavourable circumstances, the most unfavourable under which the quantity of produce required, renders it necessary to carry on the production." Marx would return to critique this notion of Ricardo's in the second part of *Capital* III, in his discussion of market value and market price.

[3] Imagine that the least favourable conditions of production become worse, but that this is compensated for by an improvement in the most favourable conditions, so that the total mass of labour-time objectified as commodity product remains unchanged, and the total mass of product is the same. For Marx, there will be no change in the commodity's value, which is equal to its average value. For Ricardo, the commodity's value will rise, because those commodities produced under the most unfavourable conditions will require more labour-time for their production.

[4] David Harvey therefore misunderstands Marx's point here. "Marx was curious as to why Ricardo in particular failed to see the importance of surplus-value as Marx understands it. To be sure, Ricardo 'well understands that the creation of surplus value is the presupposition of capital' (326), but the only systematic source he saw for its expansion lay outside of capital circulation in population growth (327). The internal mechanisms of surplus-value production within the circulation of capital eluded him." (Harvey 2006, "MARX ON HIS PRECURSORS")

[5] Although, as the editors of the *Marx-Engels-Gesamtausgabe* intimate, Marx here will have been reworking material from his *Exzerpthefte* (source notebooks), compiled earlier in the 1850s. (MEGA 2006, p. 996 and passim.)

(2) The Physiocrats

It is in the case of the Physiocrats ("the fathers of modern economics") that "the difficulty of grasping capital, the self-realiszation of value, hence the surplus value created by capital in the act of production, presents itself in tangible form" (Marx 1973, p. 327)

The followers of the "Monetary System" (Marx refers to those earlier thinkers who believed that it was gold and silver alone that constituted wealth.[6]) believed in "the autonomy of value only in the form in which it arose from simple circulation—money". (Marx 1973, p. 327)

These were follwed by the "Mercantile System": "an epoch where industrial capital and hence wage labour arose in manufactures, and developed in antithesis to and at the expense of non-industrial wealth." Mercantilists understood money as capital, but reduced capital *to* money. Capital was understood as *mercantile* capital: "[i]ndustrial capital has value for them, even the highest value—as a means, not as wealth itself in its productive process—because it creates mercantile capital and the latter, via circulation, becomes money." (Marx 1973, p. 328)

The function of labour (industrial labour: agricultural labour was seen as productive of use value;[7] "processed", rather than unprocessed, goods were more valuable in trade) was to produce values which could be profitably traded. "Thus one form of wage labour, the industrial, and one form of capital, the industrial, were recognized as sources of wealth, but only in so far as they produced money." (Marx 1973, p. 328)

With regard to the Physiocrats, first, they distinguish capital from money, and regard it (capital) as "autonomous exchange value which preserves and increases itself in and through production"; second, they deal with "the relation" (the capital relation) "for itself, not merely as a moment of simple circulation, but rather as its presupposition which constantly rises out of it to become its presupposition again." (Marx 1873, p. 328) (This is why they are, for Marx, "the fathers of political economy".) In addition, they understood that the "creation of surplus value by wage labour" is the "self-valorisation" ("*Selbstverwertung*" (Marx 2006, p. 244); Nicolaus has "self-realisation") of capital, in other words, its "realisation" ("*Verwirklichung*", i.e. "made real", "made tangible"[8]).

However, the Physiocrats understood labour to be productive only where the *instruments* of labour permit the labourer to produce more value than she consumes: being productive (of value) is therefore not a property of labour *as such*, but only of that labour that engages with "the natural forces which labour uses and conducts—[i.e.] agriculture". (Marx 1973, p. 328) (This understanding, Marx notes, finds a reflection in Smith.) Thus for the Physiocrats surplus

[6] Marx will have in mind people like, amongst others, Thomas Mun, William Pett and John Locke. "Just as in the sixteenth and seventeenth centuries, when modern bourgeois society was in its infancy, nations and princes were driven by a general greed for gold to embark on crusades to distant lands in quest of the golden grail, so the first interpreters of the modern world, the originators of the monetary system—the mercantile system is merely a variant of it—declared that gold and silver i.e. money, alone constitutes wealth. They quite correctly stated that the vocation of bourgeois society was the making of money, and hence, from the standpoint of simple commodity circulation, the formation of permanent hoards which neither moths nor rust could destroy." (Marx 1987, p. 389)

[7] Marx notes that for "non-agricultural peoples" (Holland, for example), agriculture did not appear in industrial, but feudal, form, and was seen as a source of feudal rather than bourgeois wealth.

[8] For Hegel, "*Verwirklichung*" ("*wirklich*" in German is "real" in the sense of actually existing, present, manifest) is how an idea or inner purpose manifests itself in the external world and assumes real, tangible form.

value is transformed into a mass of use value arising out of production, which exists because less use value is consumed in its production.

> Only a part of the harvest has to be directly returned to the soil as seed; products found in nature, the elements air, water, earth, light, and added substances such as fertiliser, then re-create the seed again in multiplied quantity as grain, etc. In short, human labour has only to conduct the chemical processes (in agriculture), and in part also to promote them mechanically, or promote the reproduction of life itself (cattle-raising) in order to obtain the surplus, i.e. to transform the identical natural substances from a useless into a valuable form. An over-abundance of agricultural products (grain, cattle, raw materials) is therefore the true form of general wealth. (Marx 1973, p. 329)

Therefore, "[f]rom the economic viewpoint [...] rent is the only form of wealth"; the Physiocrats thus "conceive [...] as the representatives of *bourgeois* wealth." However, the Physiocratic policy of taxing rent was to the advantage of "bourgeois capital" (and disadvantageous to feudalism).[9]

[(3) Adam Smith][10]

In the Physiocrats' time, "the utilisation of natural energy in industry had not developed, nor the division of labour, etc. which increases the natural force of labour itself." This had changed in Smith's time, hence Smith's emphasis on the productivity of labour, and on the division of labour. However: "[w]ith him [Smith], labour in principle [is] the source of value, likewise of wealth, but actually labour [...] posits surplus value only in so far as in the division of labour the surplus appears as just as much a gift of nature, a natural force of society, as the soil with the Physiocrats." (Marx 1973, p. 330) Smith is an advance on the Physiocrats, therefore, but only a partial advance.

For Smith, labour is productive *as such*: productive labour is productive because it is productive of use value. Hence he cannot see labour in its form as wage labour, as antithetical to capital. This last, capital, is then that which is precipitated out of circulation, as money. He cannot explain profit and rent as surplus value, he merely assumes them.[11]

[(4) Ricardo (again)]

Ricardo commits the same error: "[w]ith him [Ricardo], [...] wage labour and capital are again conceived as a natural, not as a historically specific social form [...]." This is why he limits himself to discussion of the *distribution* of wealth among the classes, "as if the form of wealth based on exchange value were concerned only with use value, and as if exchange value were

[9] "The bourgeois glorify feudalism in theory—many a feudal figure, like the elder Mirabeau, has been duped by this—only in order to ruin it in actual practice."

[10] Subheadings in square brackets are mine, not Marx's.

[11] Marx is too harsh on Smith here. For Smith, once there has been the "accumulation of capital" and the "appropriation of land", profit appears as value created by labour above the value of labour's recompense, and rent as surplus profit, i.e. profit above the "normal", when commodity prices are pushed above their "natural" level.

merely a ceremonial form, which vanishes in Ricardo just as money as medium of circulation vanishes in exchange." (Marx 1973, p. 331)

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Why is this discussion (of surplus value) so important?

> The precise development of the concept of capital is necessary because it is the fundamental concept of modern economics, just as capital itself, whose abstract counterpart it is, is the foundation of bourgeois society. From a precise understanding of the fundamental precondition of this relationship, all contradictions of bourgeois production must emerge, including the limit at which it transcends itself. (Marx 1973, p. 331, translation modified according to Marx 2006, p. 246)

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Marx now inserts the following comment, in brackets.

"Bourgeois wealth", "wealth as such", he says, is expressed "in its highest power" as exchange value. Exchange value is posited as the "mediator" between the two extremes of exchange value and use value. It is the middle term (another syllogistic figuring). It thus stands as the mediation with itself as subject, with the two poles standing as moments of its own existence. (One way we can understood this is as follows. The commodity form posits itself as exchange value (in exchange) as the unity of the two contradictory moments of exchange of value (socially necessary labour-time), the social form of the good in question and use value (its material aspect). "Thus, in the religious sphere, Christ, the mediator between God and humanity—a mere instrument of circulation between the two—becomes their unity [...]." (Marx 1973, p. 332)

Capital itself, as a result, splits between use value and exchange value, as in the distinction between industrial capital (which represents the material) and mercantile capital ("wealth as wealth"). But mercantile capital also mediates the relation between production (industrial capital) and circulation ("the consuming public"), again between exchange value and use value. Mercantile capital itself divides between wholesaler and retailer, etc., etc.

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Marx continues with his main thread. Capital is the "*direct unity* of product and money or, better, of production and circulation." (Marx 1973, p. 332)

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Now another parenthetical remark. In Ricardo, products are exchanged for products, according the amounts of objectified labour they contain. "A day's work is always exchanged for a day's work." Since this is a supposition, exchange itself is removed from the analysis. The product *as such* is exchange value. This is why Ricardo's entire focus is *distribution*: "[w]hether these proportions [of distributed product] are regarded as specific quotas of the presupposed exchange value, or of its content, material wealth, [is] the same thing." (Marx 1973, p. 333). For Ricardo, therefore, if what counts is the material (use value) product: exchange value becomes purely nominal ("it is real only in the form of the *proportion*[12]). Given the amount of labour-time expended in (or required for) production, for a given mass of commodity product Ricardo posits "in increase of values" as a result of an increasing difficulty of production, specifically because of a deterioration of the "service" provided by the "forces of nature" (in agriculture). "The decline of profits is therefore caused by rent."[13] (Marx 1973, p. 333)

[12] In the sense that a general rise in the price level in an economy, a rise that affected all commodities equally, would have no effect on an existing distribution of value.

[13] In actual fact, in Ricardo, by a decline in the productivity of labour in agriculture and a rise in the per-unit value of the whole agricultural product, causing a decline in the rate of profit in the agricultural sector, and, through equalisation, through the whole economy.

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