The *Grundrisse* (The 1857-58 Manuscript)

The Chapter on Capital: Part 12

Relative Surplus Value (III): Ricardo (pp. 347-353)

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Marx has established that an increase in the productivity of labour leads to an increase in the proportion of the value of the commodity product produced in the form of surplus value, and hence in the form in which it can be *accumulated*, that is, redeployed as new capital, increasing the mass of capital value advanced and therefore increasing the scale of production.

Ricardo is therefore wrong (or his argument is incomplete), says Marx, to argue that with an increase in the productivity of labour "exchange value does not increase; i.e. the abstract form of wealth; but only exchange value as capital." (Marx 1973, p. 347) What Marx imputes to Ricardo here is the idea that, with an increase in the productivity of labour, more use values will be produced, but no more value. This is not wrong in itself, Marx argues, but it does not paint the whole picture.

Here is Ricardo.

> [...] [I]f an improved piece of machinery should enable us to make two pair of stockings, instead of one, without additional labour, double the quantity would be given in exchange for a yard of cloth. If a similar improvement be made in the manufacture of cloth, stockings and cloth will exchange in the same proportions as before, but they will both have fallen in value; for in exchanging them for hats, for gold, or other commodities in general, twice the former quantity must be given. Extend the improvement to the production of gold, and every other commodity; and they will all regain their former proportions. There will be double the quantity of commodities annually produced in the country, and therefore the wealth of the country will be doubled, but this wealth will not have increased in value. (Ricardo 2004, p. 277)

Marx's point here is not that Ricardo is wrong; it is that he does not go far enough.

> In saying this [that there is no absolute increase in (exchange) value, only in use value] he is looking only at the original production process. But if relative surplus labour increases—and capital therefore increases absolutely—then there is necessarily also an increase within

> circulation also of *relative exchange value existing as exchange value*, money as such, and therefore, through the mediation of the production process, *absolute exchange value*. (Marx 1973, p. 347)

With the increase in the productivity of labour, as we have seen, there is a growth in the proportion of the product that represents surplus labour, and this poses the possibility of an expansion of the (value) scale of production.

Once the product is sold, then the surplus takes the form of money;[1] money, as money, is only "abstract wealth". To be realised ("*sich realisiren*"), "in motion", it has to be realised in "*new* living labour (whether labour which had been dormant is set into motion, or *new workers* are created (population [growth] is accelerated)". (Marx 1973, p. 248, interpolation in square brackets in original)

The problem with Ricardo (says Marx) is the following. He assumes as given the relation between the surplus product and the remainder of the product, rather than seeing that these proportions can change in function, as we have seen, of the effects of changes in the productivity of labour.[2]

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At this point, Marx sets out a numerical example. The Manuscript is extremely difficult to follow here, so in this section of my notes I shall try to explain, in some detail, what I think Marx is trying to set out.

It is first necessary to establish some context. It appears (cf. MEGA 2006, p. 954) that in part Marx is relying on notes he already made on Ricardo's *Principles* some years before.[3] It appears that the text by Ricardo that Marx is referring to here (both in the 1857-58 Manuscript, and in his earlier notebook), is the following.

> [...] [T]he wealth of a country may be increased in two ways: it may be increased by employing a greater portion of revenue in the maintenance of productive labour,—which will not only add to the quantity, but to the value of the mass of commodities; or it may be increased, without employing any additional quantity of labour, by making the same quantity more productive,—which will add to the abundance, but not to the value of commodities.

[1] How can the surplus be sold if it is a *surplus*? "If it [the surplus product] is exchanged for those [already-existing exchange values] already present, it gives them not an equivalent but more than an equivalent, and thus liberates a part of the exchange value on their side." (Marx 1973, p. 348) In other words, the surplus, in the round, is exchanged against surplus.

[2] That is my understanding of what Marx means when he says the following. "The form in which Ricardo attempts to clarify the matter for himself (and he is very unclear in this regard) says at bottom nothing more than that he just introduces a certain relation, instead of saying, simply, that out of the same sum of simple exchange values a smaller part posits itself in the form of simple exchange value (equivalent) and a larger part in the form of money (money as the original, antediluvian form out of which capital always arises anew; money in its character as money, not as coin etc.); that therefore the part posited as exchange value for-itself, i.e. as *value*, increases, i.e. *wealth in the form of wealth* (whereas he comes to just the mistaken conclusion that it increases only in the form of *material*, *physical* wealth as use value)." (Marx 1973, p. 348)

[3] Specifically, in the notebooks known as the "*Londoner Hefte*", written over the course of 1851 to 1853. The notebook he is drawing on here is Notebook VIII, written over April to May 1851.

> In the first case, a country would not only become rich, but the value of its riches would increase. It would become rich by parsimony; by diminishing its expenditure on objects of luxury and enjoyment; and employing those savings in reproduction.
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> In the second case, there will not necessarily be either any diminished expenditure on luxuries and enjoyments, or any increased quantity of productive labour employed, but with the same labour more would be produced; wealth would increase, but not value. Of these two modes of increasing wealth, the last must be preferred, since it produces the same effect without the privation and diminution of enjoyments, which can never fail to accompany the first mode. Capital is that part of the wealth of a country which is employed with a view to future production, and may be increased in the same manner as wealth. An additional capital will be equally efficacious in the production of future wealth, whether it be obtained from improvements in skill and machinery, or from using more revenue reproductively; for wealth always depends on the quantity of commodities produced, without any regard to the facility with which the instruments employed in production may have been procured. A certain quantity of clothes and provisions will maintain and employ the same number of men, and will therefore procure the same quantity of work to be done, whether they be produced by the labour of 100 or 200 men; but they will be of twice the value if 200 have been employed on their production. (Ricardo 2004, pp. 278-9)

In his 1851 notebook, Marx makes the following comment (amongst others) on what Ricardo has argued in the above citation.

> First. Let us assume 100 men now produce as many commodities as 200 did previously. The work of these 100 men would then be able to put 200 men into action. Will the product of the 200 now employed be twice as valuable as that of the first hundred, because it is the product of 200, whereas the first was only the product of 100?
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> Second. Ricardo here confuses capital with the *material* of capital. Wealth is merely the matter of capital. Capital is always a *sum of values* that are destined for production, not just a sum of products, nor is it destined for the production of products, but of values. If additional commodities are procured through machinery, etc., which can then be used to set additional workers in motion, no *additional* capital is created; rather, *the productive power of the old* [capital] *has been increased*. No capitalist will say that he possesses additional capital if he can set more workers in motion with the same 100 thalers. His capital increases in this case because the rate of profit [i.e. the part of the product representing surplus labour] rises above the rate of wages [that part representing capital advanced as wages], and thus more of the existing capital is reproduced in the form of capital rather than in the form of workers' expenditure. [...]
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> Capital can be increased without [...] one person being deprived of what another receives. This requires, besides an increase in population, an increase in the productive power of capital [...]. More value is created 1) when more hands are put to work in one sector, and 2) when corresponding labour is generated in other sectors, for which it can be exchanged. The English cotton mills would not have created more value if 1,000 markets, both within and outside the country, had not been created through labour with which they could exchange. Ricardo completely overlooks this interchangeability and the creation of equivalents. (Marx 1986, pp. 365-6, my translation)

We are now in a position to return to Marx's numerical example in the 1857-58 Manuscript.

First, he presents the argument as Ricardo would present it ("[l]et us take the matter in *his* [i.e. Ricardo's] form." (Marx 1973, p. 349, translation modified according to Marx 2006, p. 262, italicisation added)

Let there be "[a] [c]apital [of] 1,000 [which] sets 50 workers into motion; or 50 living work days." (Marx 1973, p. 348)

Then let there now be a doubling in productively. The same capital of 1,000 will now set 100 working days in motion. (Remember that this is Marx saying what he thinks Ricardo says, or at least what he thinks what Ricardo has said implies.[4])

But Ricardo is wrong here (says Marx). There are no "more real working days" in existence (at least not yet); Ricardo introduces these "arbitrarily". His problem is that "he does not grasp the increase in exchange value which arises from increased productivity."[5] (Marx 1973, p. 349)

By way of contrast, Marx now recasts the problem in his own terms.

We start by positing a capital of 1,000 and 50 workers. With a doubling of productivity, the same mass of use values can be produced by a capital of 500 and 25 workers. The other capital (of 500) and 25 workers can "establish a new business", and "likewise produce an exchange value of 500."

The profit on all this is unchanged, since "it arises [...] from the proportions in which profit and wages originally divide in the 500".[6] Likewise, the total value remains the same (the same amount of labour has been expended in production, and we have made no assumptions about the consumption of means of production). But the mass of use value has doubled.

We can repeat the procedure. A further doubling of productivity can see a capital of 250 with 12.5 living working days create the same mass of use value as the original capital of 1,000 and 50 living working days. We can now have 4 capitals, each of 250 and with 12.5 working days, in total producing the same exchange value as before.

(*Inter alia*, Marx makes the following point.

> Ricardo is too classical to commit absurdities, like those who claim to improve on him,[7] who derive the larger value after the increase in productive force from one party selling at a higher price within circulation. As soon as the capital of 500 has become commodity, simple exchange value, instead of exchanging it for 500, he exchanges it for 550 (at 10%), but then the other party obviously only gets 450 in exchange value instead of 500 and the total sum remains 1,000 as before. This happens often enough in commerce, but explains the profit made by one capital only by the loss of the other capital, and not *the* profit of *capital*; and without this presupposition there can be profit neither on one nor on the other

[4] Although I am not convinced that Marx interprets Ricardo's argument correctly here. To my mind Ricardo has argued that an increase in productivity will produce a greater mass of commodity product, which can form the basis of a future expansion of production, not that a greater mass of living labour will be set in motion in the present production process.

[5] "At the same time, the *growth of population* is never developed by him as an *element in the increase* of exchange values; never clearly and definitely stated."

[6] But this is only correct as long as the (exchange) value of the means of production consumed by the workers is unaffected by the rise in productivity.

[7] It is not clear who Marx has in mind here; maybe Torrens, who he cites in *Capital* I, when he (Marx) makes the same point (regarding the fact that profit does not *originate* in circulation). (Cf. Marx 1976, p. 264)

> side. (Marx 1973, pp. 349-50))

This process can proceed without limit "other [...] than the *increase of the productive force* (and this is again physical, located outside the *economic relation* itself)". (Marx 1973, p. 350)

(Marx now quotes extensively from the passage from Ricardo cited above.)

Each of the "living working days" in the example above supplies to the capitalist a certain amount of surplus labour-time, says Marx. But, for Ricardo, if the number of workers engaged in production does not change, then neither does the exchange value of the product produced. There is no expansion of the value scale of production posited in Ricardo's account of the growth in social productivity on labour.

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Marx now summarises the differences between his account, and that of Ricardo.

> We are the last to deny that *capital* contains contradictions. Our purpose, rather, is to develop them fully. But Ricardo *does not develop them*, but rather shifts them off by considering the value in exchange as indifferent for the formation of wealth. That is to say, he contends that in a society based upon the value of exchange, and wealth resulting from such value, the contradictions to which this form of wealth is driven with the development of productive powers etc. do not exist, and that a progress of value is not necessary in such a society to secure the progress of wealth, consequently that value as the form of wealth does not at all affect that wealth itself and its development, i.e. he regards exchange value as merely *formal*.

As a result of this he is unable to account for the historical "growth in *wealth as such*, i.e. the sum of values." Underlying this, is his inability to understand the relation between necessary labour and surplus labour, in short, the production of surplus value. "[B]ecause he has not developed this relation, he has also not developed [...] that the development of the productive forces itself presupposes both the increase of capital and the increase of simultaneous working days". (Marx 1973, p. 352)

(Interestingly, along the way Marx develops a theory of population: an account of population growth, and the fact that the (lack of) growth in population can function as a barrier to capitalist accumulation.

> With the accumulation of capitals, wages rise unless population grows simultaneously; the worker marries, production is spurred on or his children have better, do not die before their time etc. In short, the population grows. Its growth, however, gives rise to competition among the workers, and thereby forces the worker to sell his labour power to the capitalist at its *value* again, or momentarily even below it. Now the accumulated capital, which has meanwhile grown up more slowly, again has the surplus which it earlier spent in the form of wages, i.e. as coin, in order to buy the use value of labour, available to it in the form of money, in order to realize it as capital in living labour, and, since it now also disposes over a greater amount of working days, its *exchange value* grows in turn. (Marx 1973, p. 352)

Marx's point jere appears to be that this inability to understand the nature of surplus labour impedes Ricardo from conceiving of the relation between the development of capitalist production and the growth of population; Marx's argument here is fragmentary and not easy to follow, however, and it is not really clear what his counter position is. By the time of the drafting of *Capital* I, he had (in my view) developed a far more sophisticated account, centred on his conception of the "reserve army", and the relation between the demand and supply of labour-power and the use on the part of capital of labour-saving machinery, specifically as set out in chapter 25, on "The General Law of Capitalist Accumulation".

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