

BRITISH TODAY SERIES

EDITED BY PROFESSOR BENJAMIN FARRINGTON, M.A.

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**MARX
AS AN
ECONOMIST**
AN ESSAY

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By Maurice Dobb

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FOREW

1943 is the sixtieth anniversary of
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The series does not aim at a complete capsule. There will be a time for that. Now, in 1943, in the world struggle against Fascism, something more and more actual was alone possible and appropriate. Alone possible, because some of our most distinguished Marxists are too busy with the war to be free to write. Alone appropriate, because none of us would wish to write without an urgent sense of the claims of the moment. We would celebrate the memory of Marx as his memory should now be celebrated. He is the master-spirit whose words enable mankind to find its path in the present turning-point of history, which he foresaw and taught us to understand.

United in their conviction of the importance of Marxist thought for the present crisis, certain British Marxists, chosen for their ability to represent different aspects of the life and thought of Britain, have written this series of essays. They deal with such topics as Marxism and the freedom of the individual, Marxism and Education, Dialectical Materialism and Science, the Materialist Conception of History, Marxism and Modern Art, Marxism and Modern Economics.

In attempting their several tasks the writers have two considerations always present in their minds. The first, little understood in Britain, and often explicitly denied, is that the achievement of socialism in the U.S.S.R. and the steady progress towards communism are a product of Marxist theory and the truest test of it so far. The second is that the destiny of the whole of mankind is at stake in the present struggle. The U.S.S.R. shows how the lives of two hundred millions of backward people have been transformed by Marxism in twenty-five years. The lives of two thousand millions await transformation. The vast majority of mankind is still as dirty, diseased, hungry, neglected and ignorant

as the majority of the inhabitants of the Czarist empire were in 1917. Marxism is a system of thought specifically directed towards the solution of this problem. In these essays British Marxists write what they believe will help us to go forward together with our Soviet Allies to victory over Fascism and a general advance in human freedom and happiness.

B. F.

MARX AS AN ECONOMIST

I.

IN 1842 Marx had emerged from his university period into a brief career of political journalism, as editor of the newly-formed organ of radical thought in Western Germany called the *Rheinische Zeitung*. At this time he had reached an intellectual position which was to be expressed in his own words a few years later as follows: 'ruthless criticism of everything that exists, ruthless in the sense that this criticism will not shrink either from its own conclusions or from conflict with the powers that be.' Marx had been sent by his father, first in 1835 for a year to the University of Bonn, and then to the University of Berlin, with the primary intention of studying law. But from law his interest had very soon shifted to history and then to philosophy, no doubt driven thereto by an impulse to find a philosophy of law and a philosophy of history; and it was to philosophy that the intellectual passion of his university years was to be chiefly directed. Within a few months of his arrival in Berlin he had become an active member of a club of 'young Hegelians' (or 'left Hegelians' as they were sometimes called); and when he took his doctorate in 1841 at the University of Jena, this was on the basis of a dissertation on philosophy (an essay in the philosophies of Democritus and Epicurus).

'Ruthless criticism' was at this time still confined within the realm of abstract ideas. But his brief occupation of the editorial chair of the *Rheinische Zeitung* was to bring him into touch with economic and social questions. His paper, for example, had occasion to take up the question of the conditions of the Moselle peasantry; and when on one occasion a rival journal accused him of flirting with communism, he started to make the acquaintance of contemporary socialist writings. By the time he left Germany for Paris in 1843, he was to complete the above-quoted phrase about criticism with the statement that the task of critical philosophy was to give society a consciousness of itself, which it had previously lacked—to 'show it why it struggles'—and that criticism must begin by 'taking part in politics, that is to say in real struggles'. This statement summed up an attitude that was exceedingly rare among contemporary thinkers: an attitude which,

as it matured, was to cause his way increasingly to diverge from that of most of the friends of his student years. The years he spent in Paris in the middle 1840's brought him into contact, not only with the ideas of the French socialists, but also with the writings of the English economists. It was here that he made his first serious study of the writings of Adam Smith and Ricardo, of McCulloch and James Mill and the French economist Jean Baptiste Say. In 1846 he paid his first visit to England, travelling there from Brussels in the company of Engels, and had his first introduction to the English Labour movement in the shape of the Chartists and the early trade unionists. In the winter of 1847 he travelled again to London, this time to attend a meeting of a body known as the Fraternal Democrats, and to be present at the second Congress of the recently formed Communist League. Finally, in 1849, having been expelled successively from Germany and from Paris for his activities during the revolutionary year 1848, he made the move to London that was to prove permanent. From the continent of Europe, where the bourgeois-democratic revolution was only partially completed, he had arrived in the country where capitalism had been earliest born and had appeared in its classic form: a country where (he was quick to realize) the popular movement had reached a quite new stage of historical development and the issue was (as he afterwards wrote) 'not of republic *versus* monarchy, but of the rule of the working class and the rule of the bourgeoisie'. From thenceforth the focus of his interest was shifted towards the criticism of capitalist society itself—towards a critical analysis of the social and economic roots of contemporary society, as a key to understanding 'the law of motion' of that society and how man could change it. 'The philosophers have *interpreted* the world in various ways: the point, however, is to change it.'

For the remainder of Marx's life, such time as was not occupied in political work was very largely devoted to this task of economic criticism. This involved a comprehensive study both of capitalist society itself and of the ideas which economic writers had held about it. Throughout the 1850's a large part of each day was spent in the Reading Room of the British Museum exploring 'the confounded ramifications of Political Economy'. Here he would work from 9 o'clock till 7, returning to his Soho lodgings (or later to Grafton Terrace or Maitland Park Road, near

Chalk Farm) to read and write into the small hours, smoking inordinately (mostly cheap cigars) as he worked—long spells of concentration that were broken only by an occasional game of chess with a visitor, by the reading of Aeschylus in the Greek or family recitations of Shakespeare or Goethe. At the British Museum works on history, government blue books and obscure economic pamphlets were all grist to his mill. In fact, of the literature of economic thought and discussion Marx had an unusually wide knowledge; and an example of his thoroughness is that, while he was writing his chapters on machinery, he attended a practical course in technology at the Geological Institute in Jermyn St. (even though, as he wrote to Engels, 'the simplest technical reality demanding perception is harder to me than to the biggest blockheads'). At the same time he took classes for workers (chiefly political refugees from the Continent) in political economy, devoting to his explanations, as Liebknecht tells us, the most painstaking care.

In 1859 was published an introductory essay entitled *Towards a Critique of Political Economy*. By 1865 the manuscript of the first volume of his great work on economic theory was completed: the volume which was published two years later in German under the title of *Das Kapital: Der Produktionsprozess des Kapitals*. Work on the later two volumes was, however, to be interrupted and delayed by pressure of renewed political activity and later by illness. In 1864 the inaugural meeting of the First International took place in London; and Marx was to become secretary of its very important German section. Round 1870 he was closely implicated in the struggle within the International between the General Council and the Anarchists led by Bakunin; and in 1871 he wrote on behalf of the General Council his famous pamphlet in defence of the Paris Commune, *Civil War in France*—a document which made him (in his own words) 'the best calumniated man in London'. In the later '70's failing health, accentuated, no doubt, by the struggles and the poverty of his early years, forced him to take prolonged periods of rest from work, and on his doctors' advice to visit successively Harrogate and Malvern, the Channel Islands, Karlsbad, Algiers, Geneva and the South of France. Volume 1 went into a second German edition within five years of its first publication. In 1875 an authorised translation appeared in France; and in Russia in particular his work quickly

won for him extensive recognition. But the material for the second and third volumes was not to be completed during his lifetime; and on his death in 1883 these volumes remained as unfinished drafts and notes, which Engels was faithfully to piece together and to publish later—Volume 2 in 1885 and Volume 3 in 1891. Actually Volume 3 had for the most part been drafted earlier than the material which went to make Volume 2. It was the product of his years of greater vigour in the middle '60's. Least finished of all was the third and final part of Volume 2, which contains much that is of great technical interest to economists regarding capital investment. This was mostly composed in his years of failing health in the late '70's; and, product of repeated revision and reconstruction, it constituted (in Engels's words) 'merely a preliminary presentation of the subject', 'fragmentary' and 'incomplete in various places': 'at the conclusion of chapters there would be only a few incoherent sentences as milestones of incomplete deductions'. There was also to have been a fourth volume, dealing with the history of economic thought. But Engels himself did not live to complete the editing of Marx's notes on this theme. These were later put together by Karl Kautsky in Germany under the title of *Theorien über den Mehrwert* (Theories of Surplus Value) in 1905. It has been published in a French translation in eight separate parts; but it has not, to date, been translated into English. The Marx-Engels Institute in Moscow has in its possession the manuscript material from which Kautsky extracted, and had for some years before the war been planning a definitive edition of it. But by the outbreak of war this had not yet made its appearance. The English translation of the first volume (which was the joint work of Marx's son-in-law Edward Aveling and Samuel Moore) did not appear until 1887. Volumes 2 and 3 appeared in an American edition (in a not too satisfactory translation) in 1907* and 1909; and this remains the only edition of these volumes that is available to the English-speaking world.

II

For any complete understanding, Marx's work needs to be appreciated against the background both of his general theory of

* The 1907 edition of Vol. 2 appeared in England under the joint imprint of Swan Sonnenschein & Co. of London and of Charles Kerr & Co. of Chicago.

social development, of which this was a particular application, and of contemporary economic thought and discussion. In contrast to the Idealist interpretation of Hegel, Marx had developed the view that the general shape of any given historical epoch was determined by the prevailing mode of production. By 'mode of production' he was not referring simply to technique (which was included among what he termed the 'forces of production'), but also to the 'relations of production'—the relations into which men entered with one another by reason of the various positions which they occupied in the productive process. In medieval society the dominant relationship had been that between feudal lords and serfs. In the classical world it had been that between master and slave; the relationship of servitude between them depending on the fact that the master-class possessed, not only the instruments with which work was done and the product of labour, but also the producer himself as a personal chattel. In capitalist society the legal bonds which tied the producer to a lord or master no longer existed. The labourer had been emancipated, and before the law he was a free agent, entering into a contractual relationship with an employer which was in form akin to any other market contract. In other words, labour for a master was no longer obligatory: employment was by virtue of an act of sale of labour power on the market by free exchange. This marked the essential difference between the social relationship that was typical of capitalist society and those which characterized earlier forms of class society. On the face of the market it appeared that free and equal contractual relationships had been substituted for a relationship of exploitation: that freedom and equality had been realized and that resemblance to the older class societies no longer remained. The point at which Marx as an economist differed from other economists was in his preoccupation with the relations of production which lay *behind* the market, and gave substance to the contractual relationships into which men entered in the act of exchange. It was the secret of capitalism as a mode of production that he was concerned to probe; and thereby to reveal the specific character of the conflicts within this mode of production which would determine its place in history, its growth and movement and the future society that was destined to supplant it. With prices and exchange values he was also concerned, as were other economists; but he held that they were only capable of final explanation in

terms of the class relations which underlay them, since it was of the essence of the capitalist mode of production that in this system class relations veiled themselves in a value-form.

The classical economists of the school of Adam Smith and Ricardo had made a signal contribution to the development of human thought in recognizing that the economic affairs of men were ruled by law as was the realm of organic nature: moreover, by laws which operated despite the wills and intentions of individuals and even in defiance of their wills. This was the significance of Adam Smith's 'invisible hand' of natural law which operated behind the backs of producers. It was the point of his famous remark that 'it is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interest' and of his reference to the individual as being 'led by an invisible hand to promote an end which was no part of his intention'; as many years earlier it was of Mandeville's paradox of 'private vices, public virtues'. By reason of market competition it came about that the behaviour of all those who operated on the market was shaped to a certain pattern. Although each individual looked only to promote his own advantage, he was only one unit among a multitude, and his intentions were powerless to control the total situation; with the result that the net outcome of the actions of the individuals composing the market was such as to fulfil the behests of a 'natural law'—to fulfil ends which no individual had ever designed or intended. Marx must have been struck by the similarity between this central theme of the economists and a leading doctrine of Hegel's philosophy of history (a doctrine which constituted the objective element in the philosophy): 'out of the actions of men comes something quite different from what they intend and directly know and will'.

The economists had found the kernel of this law which ruled exchange-relationships in the law of value. The normal value of a commodity was not dependent on the dictate of some individual seller; it was not the product of chance or custom; nor was it dependent on the valuation which the user placed upon it—its utility. Commodities exchanged for one another (in the 'normal' case and as a long-run tendency) in proportion to the amount of labour that their production cost. If temporarily the market price of a thing were high relatively to the labour required to produce it (whether because the demand for it was keen or the supply

abnormally short), producers would be attracted to the manufacture of it, and by dint of competition its exchange value, in the fulness of time, would fall; and *vice versa* where the market price was low relatively to the labour required to produce it. Exchange value, in other words, was the market expression of the manner in which, under the rule of competition, labour was distributed between various lines of production and of the productivity of that labour in each case. As the productivity of labour changed—for example, as it increased with improved technique or greater division of labour—so accordingly would the supply of commodities yielded by a day's labour alter, and accordingly their value.

But as enunciated by the classical economists this doctrine had not always been free from ambiguity. In Ricardo it is stated clearly enough; but in Adam Smith it is at times the *amount* of labour involved in producing a thing and at other times the *value* of the labour which a thing costs or can exchange for.* As a result, several economists (e.g. Malthus), developing this second version of Smith's doctrine, held that the value of a commodity depended on the amount of *wages* paid out in the course of its production (from which it followed that, if wages rose, the values of commodities rose also, and *vice versa*). Again, there came to be a tendency to interpret 'amount of labour', not in an objective sense as the expenditure of a definite quantum of the labour of society, but in a subjective or psychological sense as the 'sacrifice' or 'disutility' suffered by individuals in the course of production (Adam Smith, again, had referred rather vaguely to 'toil and trouble'). From this the transition was easy to the later view of Nassau Senior that the 'abstinence' suffered by a capitalist was a productive cost, on a par with labour, and that not labour alone, but labour *plus* abstinence determined value.

Moreover, having enunciated their law of value as governing exchange, the economists had looked no further into the matter. In particular, they had not explained how and why it was that, while value was determined by quantity of embodied labour, part of the value produced should accrue to the capitalist who

* cf. *Wealth of Nations* (Ed. 1826), pp. 34-5. Ricardo makes the comment that Smith sometimes speaks of 'not the quantity of labour bestowed on the production of any object, but the quantity which it can command in the market; as if these were two equivalent expressions, and as if because a man's labour had become doubly efficient he would necessarily receive twice the former quantity in exchange for it.' (*Principles*, p.6).

contributed no labour to the productive process. Although Ricardo had declared that 'the principal problem in Political Economy' was distribution ('the laws which determine the division of the produce of industry among the classes which concur in its formation'), and although he had clearly shown land-rent to be a surplus, which bore no relation to any productive contribution on the landowners' part, and had depicted capitalists' profit as simply the difference between the value of the product and the wages paid to the labourers who created that product, he had said nothing further about the character and origin of profit. On this crucial qualitative question he was silent. Yet without an answer to it even the quantitative question as to how the amount of profit was determined could not be satisfactorily answered. Moreover, the successors of Ricardo—the 'vulgar economists' as Marx termed them—increasingly turned to a justification of profit as the reward for some productive activity, and increasingly depicted the 'invisible hand' of natural law which ruled the market as beneficent in character—as bringing harmony out of chaos and causing individual self-interest unconsciously to promote the common good. This was the notorious glorification of *laissez-faire*, which still, even in the monopolistic age of today, does rusty service in defending private enterprise against any limitation or encroachment.

III

Here, where the classical economists left off, Marx's analysis of capitalist production began. In the first place, he accepted the labour theory of value and enunciated it in an unambiguous form. All commodities (i.e. things produced for a market) had the double property of being utilities (serving some human want) and of being the product of human activity. But, while the former was a necessary condition for anything to have value, value as a social relation between the producers of commodities was dependent on the amount of 'socially necessary human labour' that the production of the thing in question (on the average and under 'normal' conditions) entailed. What appeared as a relation between *things* on a market was simply an expression of a fact of their production—the relation between human beings in the course of production. 'A definite social relation between men', said Marx,

'assumes in their eyes (i.e. the vulgar economists) the fantastic form of a relation between things.'

The crucial problem for Marx was this: how, then, if all things exchange in proportion to the labour embodied in them and all exchange is of equivalents against equivalents, comes it about that one class apparently gets something for nothing—acquires part of the produced value as profit for itself without contributing any labour (or its equivalent) in return? It was clear enough to Marx that capitalism had this similarity with previous forms of society: that the ruling class lived by exploiting the labouring class, or by appropriating the surplus labour of the workers, in the same sense in which this was true of a feudal or a slave society. If this was the case, how was it to be made consistent with the 'freedom' of the worker in modern society—with the fact that the relation between him and his employer took the form of a contract on a freely competitive market? This riddle was not to be explained as some of his predecessors had tried to do (e.g. Sismondi and Thompson and Bray) by the fact that the capitalist, through cheating or *force majeure*, purchased something *below* its value or sold something else *above* its value. Such explanations were open to an easy answer from the orthodox economists: namely, that, if such exploitation of either workpeople or consumers occurred, this could only be due to the imperfect operation of competition (otherwise the pressure of the market would cause things to exchange at their values), and the cure for such a situation was more perfect competition, which was precisely what the bourgeois free traders were advocating. Marx somewhere says: 'Surplus value must be explained on the assumption that commodities exchange at their values, or it cannot be explained at all.'

The answer that Marx gave is simple enough once it is stated: so simple that it might seem surprising that so much ink has been spilled to disprove it and to propound alternative explanations in terms of the 'services' rendered by the capitalist in the shape of the 'abstinence' they suffer in saving-up money, or in terms of the 'specific productivity' of capital. The answer amounted to an explanation in terms of the historical circumstances out of which capitalism had grown—the social conditions or productive relations which underlay exchange. Capitalist production implied, at one and the same time, both a concentration of property in the hands of a section of society and the *dispossession* of the larger section of

society. This latter class, divorced from the means of production and lacking alternative means of livelihood, were forced by the situation in which they found themselves to sell themselves to a master—to a propertied master, possessed of the means of production with which labour could be set to work. In other words, labour power—the working activity or physical energy of a human being for a given period of time—itsself became a commodity, offered on the market and trafficked in like any other commodity, such as wheat or iron or cloth. Like any other commodity, its value was determined by the labour time that its production normally cost.

What, then, was this labour power, and in what sense could one speak of its production? Labour power, said Marx, is essentially 'energy transferred to a human organism by means of nourishing matter'. Its production and periodic reproduction, therefore, consisted in the input of 'nourishing matter' into the human organism to replace the energy used up in work—in other words, the subsistence of the worker. Hence the value of labour power of, say, a week's duration was governed by the labour time required to produce the subsistence of a worker for a week. But under the conditions of modern industry, with modern technique and modern division of labour, labour power had this property, peculiar among all commodities: its consumption, or utilisation, occasioned a value *greater than its own value*. In other words, no more than a part of the workers' working day needed to be spent in replacing the equivalent of his own value—in producing the equivalent in value of the worker's subsistence for a day. Let us suppose the latter represented 4 hours of labour. This Marx called 'necessary labour time'—necessary in the sense that without it production would stop because the workers would fail to replace the energy expended in work and eventually they would die. If the working day was 8 hours, the remaining 4 hours represented the 'surplus labour time' available to produce value for the capitalist; and since the capitalist had bought labour power at a price equivalent to 4 hours and had the disposal of the product of 8 hours' labour, his gain from the transaction, or his 'surplus value', consisted in the difference between these two quantities. Under these conditions the ratio of capitalists' income to wages would be as 4 : 4, or 100 per cent: a ratio which Marx termed the 'rate of surplus

value',* or alternatively the 'rate of exploitation'. This exploitation-ratio was a crucial and fundamental factor on which the distribution of the product between labour and capital depended. It was uniquely dependent on two factors: on the cost (in labour time) required to produce what in the circumstances of the time and place was regarded as necessary subsistence for a worker with his family and on the length of the working day.

① The various ways in which surplus value, the income of the capitalist class, could be augmented were capable of being classified into two main types; and a considerable part of Vol. I of *Capital* is devoted to a discussion of this and to historical examples of these methods drawn from the first half of the nineteenth century. On the one hand, there was what Marx called an increase of *absolute surplus value* by means of a simple increase in the working day: a method that was very common in the first half of the nineteenth century before factory legislation had set a maximum upon this form of exploitation for fear that it would have the long-run effect of exhausting and depleting the working strength of the producers. On the other hand, there was what Marx termed an increase of *relative surplus value*, by which surplus value was augmented through a fall in 'necessary labour time' as a result of a fall in the value of the workers' subsistence (and hence in the value of labour power). This is a consequence which tends to follow from an increase in the productivity of labour (e.g. through improved technique), if, but *only* if, this improved productivity is extended to the production of goods which enter into the workers' subsistence. Impelled by the pressure of competition, each capitalist strives to make an additional profit for himself by improving his methods of production. But so soon as the improvement has become general among his fellows, the value of the commodity is reduced, and the temporary 'super-profit' earned by the pioneer disappears. Whether the improvement, now that it has become general, will benefit the whole class of capitalists depends on how far it contributes to an increase of 'relative surplus value'. Marx writes as follows: 'In order to

* This is what Marx called the 'simple rate of surplus value'. Later, in Vol. 2, he is careful to point out that when one comes to deal with the rate of profit (the ratio that surplus value bears, not to the wage-bill, but to total capital) it is the 'annual rate of surplus value' that is relevant, the latter being related to the former according to the number of times that a given variable capital is turned over in the course of a year.

effect a fall in the value of labour power, the increase in the productiveness of labour must seize upon those branches of industry whose products determine the value of labour power, and consequently either belong to the class of customary means of subsistence or are capable of supplying the place of those means. . . . But an increase in the productiveness of labour in those branches of industry which supply neither the necessaries of life, nor the means of production for such necessaries, leaves the value of labour power undisturbed. . . . Whenever an individual capitalist cheapens shirts, for instance, by increasing the productiveness of labour, he by no means necessarily aims at reducing the value of labour power and shortening, *pro tanto*, the necessary labour time. But it is only in so far as he ultimately contributes to this result that he assists in raising the general rate of surplus value.' Again: 'The value of commodities is in inverse ratio to the productiveness of labour. . . . Relative surplus value is, on the contrary, directly proportional to that productiveness. It rises with rising and falls with falling productiveness. . . . Hence there is immanent in capital an inclination, and constant tendency, to heighten the productiveness of labour, in order to cheapen commodities, and by such cheapening to cheapen the labourer himself.'*

This theory, of course, rested on a number of assumptions, some of which Marx sets out in a letter to Engels in 1858. To make the task of analysis manageable, he had constructed a simplified 'model' of capitalist society—in order to 'disregard all phenomena that hide the play of its inner mechanism'.† He had taken a 'pure' capitalist society as his type form, in which there were simply capitalists, on the one hand, laying out their capital to hire labour, and workers, on the other hand, offering their labour power for sale. He was assuming, at this stage of the analysis, that the problem of rent does not exist—that land is what is sometimes termed a 'free good' ('land rent = zero'). He was assuming 'that all commodities including labour power are bought and sold at their full value'.‡ To these explicit assumptions one might perhaps add that he was evidently assuming implicitly a condition of the labour market such as to exact a downward pressure on wages: in other words, something like a chronic tendency to

* *Capital*, vol. 1, (Allen and Unwin) 304-5, 308-9.

† *ibid.*, 577.

‡ *ibid.*, 302.

labour surplus—men being more plentiful than jobs. The theory of the reproduction of what he termed 'the industrial reserve army' ('a law of population peculiar to the capitalist mode of production') occupies a prominent place in Volume 1. This periodic recruitment of the reserve army occurred as the result of the replacement of 'living labour' by 'stored-up labour', or of men by machines, in modern machine production. 'The labouring population produces, along with the accumulation of capital produced by it, the means by which itself is made relatively superfluous, is turned into a relative surplus population; and it does this to an always increasing extent.'* (Though written nearly a century ago, such a statement has a distinctly modern ring!) This process replaced that of the 'primitive accumulation' by which the ranks of the proletariat had been recruited at the dawn of capitalism through the progressive expropriation of small producers, peasant-farmers and artisans; and it was a process that operated with special force at such times as the price of labour power started to rise and in doing so threatened a contraction of surplus value. This did not mean that Marx held to a rigid 'iron law of wages': on the contrary, any such easy mechanical notion was foreign to his method, and this phrase as well as the doctrine belonged to Lassalle and not to Marx. In the first place, Marx was careful to stress that habit and custom influenced what in any country or age was conventionally considered to be a necessary subsistence, and that trade union action was capable of raising labour above subsistence level, just as concerted or monopolistic action on the employers' part could depress wages below that level, at least for considerable periods of time. He pointed out that there might be periods of rapid capital accumulation when the price of labour power showed a rising tendency. But he emphasized that, owing to the continual tendency for technique to be revolutionized and capital to take the form of stored-up labour, while 'with the growth of capital its variable constituent, or the labour incorporated in it, also does increase', it does so 'in a constantly diminishing proportion'.† The important point was that any 'rise of wages is confined within limits that not only

* *ibid.*, 645.

† cf. also: 'In the measure that capitalism develops, the demand for labour diminishes relatively, even while increasing in an absolute manner.' (*Theorien über den Mehrwert*, Ed. 1921, Vol. 2, Pt. 3, p. 263.)

leave intact the foundations of the capitalistic system, but also secure its reproduction on a progressive scale'.*

What, then, did this explanation of the source of capitalists' income amount to, and wherein did it essentially differ from rival explanations? Firstly, as we have seen, it threw into relief the character of profit, or surplus value, as an historical category, product of a particular set of historical conditions, of which the crucial one was the existence of a propertyless class. These historical conditions it was in the interest of one class to perpetuate at all costs and of the other class to destroy; whence arose an antagonism between them which was irreconcilable within the confines of that system. This was a qualitative statement about the contrasted character of the two classes of income, wages and profits: the one a return to a human productive activity of the equivalent of what that activity 'cost' or used up; the other a payment which was as independent of any productive activity on the recipient's part as the income of a feudal lord or a slave-owner had been. But joined with this was a quantitative statement: namely, that, given the size of the employed labour force, total surplus value, or capitalist income, depended uniquely on the proportion of that labour force which was needed to produce subsistence for the workers; or, as Marx put it more graphically, on the portion of the working day during which (on the average) the worker was merely reproducing his own value (i.e. his own wages). This was the basic exploitation-ratio on which the distribution of income between the classes essentially depended, and on which the constellation of exchange relationships turned.

In addition to the chapters of analysis, Volume 1 of Marx's best-known work is rich in historical material. This ranges from an examination of the various transitional stages between handicraft and modern machinery to quotations from the reports of factory inspectors on the wretched conditions of factory labour, and back again from contemporary blue-books to an account of the historical process—the process of 'primitive accumulation' by which a proletariat was formed. The uncompleted Volumes 2 and 3, in addition to much penetrating analysis, are also interspersed with historical illustrations and some acute historical comment. (One would refer particularly to some notes entitled 'Historical Data concerning Merchant Capital' in Volume 3, and

* *Capital*, Vol. 1, 634.

several chapters about types of land tenancies and rents transitional between feudal labour services and modern capitalism). Volume 2 has as sub-title 'the process of circulation of capital', and is concerned, first of all with what Marx calls the turnover or rotation of capital—the influence of the time taken for capital invested in any particular way to emerge in the form of a final product; secondly with the equilibrium relations between different branches of industry under conditions of 'simple reproduction' and 'expanded reproduction' (zero net investment and positive net investment). It can scarcely be disputed that in these comparatively neglected sections much of what has later been written by economists about capital and about investment is anticipated or even surpassed.

IV

Volume 3, which has 'Capitalist Production as a Whole' as its sub-title, comes closer to the problem of particular prices, and is concerned in the first place with the rate of profit on capital, and subsequently with the division of the *genus* surplus value into the sub-species of profit, interest and rent. This involves a closer approximation to the complex detail of reality, and a discarding of some of the assumptions made for the purpose of analysis in Volume 1. The preoccupation of Volume 1 was with the *rate of surplus value*, defined as the ratio of surplus value to that part of the capital (called variable capital) which is laid out in the purchase of labour power. In Volume 3, it is with the *rate of profit*, which, by contrast, is the 'annual rate of surplus value' expressed as a ratio to the *total* stock of capital ('variable' plus 'constant' capital; i.e. capital laid out in purchase of living labour power plus capital embodied in stocks of raw material, machinery and fixed equipment). It follows that the latter ratio ($\frac{s}{c+v}$) will be lower than the former ($\frac{s}{v}$); and that it will be lower compared with the former the higher the ratio of 'constant' to 'variable' capital (what Marx termed the 'organic composition of capital')—the larger the sum of values embodied in stored-up labour compared to the living labour set in motion over any given period of time. It follows that as technical progress tends to substitute stored-up labour for living labour, the rate of profit yielded by a given rate of surplus value will fall—that is, the rate of profit will fall unless the rate of exploitation of living labour can be sufficiently increased.

From this analysis a further important consequence is drawn. The ratio in which 'constant capital' stands to 'variable' is not uniform as between industries (as was the tacit assumption of Volume 1). In agriculture or dressmaking there is much less expensive machinery and fixed equipment per man (or woman) employed than there is in iron and steel or heavy chemicals. Again, the 'period of turnover' of the capital will be different in different cases. An equal rate of surplus value in these different cases would, therefore, yield the *same* rate of profit. But if the rate of profit were to be unequal, capital would migrate from where this rate was low to where it was high; thereby contracting output and raising the price in the former case and expanding output and lowering the price in the latter case. Because of this 'competition of capitals'—that 'unconscious capitalist communism' which requires capital to earn an (approximately) equal rate of profit—it happened that commodities exchange, not at their 'values' but at what Marx termed their 'prices of production.'* This 'price of production' was in some cases above and in some cases below 'value' according as the 'organic composition of capital' in the industry in question was above or below the average.

It was this qualification that caused Marx's most considerable critic (Böhm-Bawerk), in his polemical essay, *Karl Marx and the Close of his System*, to speak of it as 'the great contradiction' on which the whole system foundered. It is true that at first sight the apparent incompatibility between the theory enunciated in Volume 1 and the analysis of prices of production in Volume 3 is puzzling. But the claim that the qualifications introduced in the later volume jettison the foundations of the analysis of surplus value in Volume 1 is based on a perverse misunderstanding of Marx's method. Marx's primary concern had been with the distribution of income between classes (as it had been Ricardo's before him): until one could explain this, one could explain nothing. For analysis of this larger problem he constructed a simplified model; proceeding by the well tried method of successive approximations. In the first

* Marx defined 'price of production' as cost price *plus* a normal rate of profit on the capital employed. Cost price = expenditure on wages + constant capital *used up* (i.e. raw materials used up and depreciation of machinery, etc.). As regards the effect of the 'rate of turnover' of capital Marx wrote: 'With capitals with equal percentages of composition, equal rates of surplus value, and equal working days, the rates of profit are proportioned inversely as their periods of turnover.' (*Capital*, Vol. 3, 87.)

approximation he was concerned, not with the problem of relative prices of particular commodities, but with the larger problem of the exchange relationships between broad *groups* of commodities—agricultural commodities and manufactures, and these in relation to labour power treated as a whole. He was concerned to throw into relief the main basic influences which were shaping the configuration of the whole. When in the later volume he began to handle the problem of particular prices, he introduced additional features into his simplified model, and showed the difference that their introduction made. It is ridiculous to suppose that in doing so he was other than perfectly aware of what he was doing. In particular, he did not consider (which is the crucial point) that the change made any significant amount of difference to his analysis of the questions with which he was occupied in Volume 1. Moreover, without the theory of how *total* profit or surplus value was determined, in terms of the sort of factors thrown into relief in Volume 1, he would have had no theory of profit (and hence of the *average rate* of profit) at all, and the theory of prices of production in Volume 3 would have been left hanging in the air (as was, indeed, the case with the Cost of Production Theory of John Stuart Mill). In other words the analysis conducted in Volume 3, despite its secondary modifications, essentially rested upon that of Volume 1 and would have been impossible without it. Marx regarded the *rate* of profit of which he treated in Volume 3, and which was a crucial element in the formation of the 'price of production', as depending on the size of surplus value relatively to the amount of labour required to produce the existing stock of capital (i.e. the amount of stored-up labour); and aggregate surplus value in turn depended on the factors affecting that basic exploitation-ratio which was analysed in Volume 1. It remained true that 'the law of value dominates the movements of prices, since a reduction or increase of the labour time required for production causes the prices of production to fall or to rise,' even though 'the general law of value enforces itself merely as a prevailing tendency, in a very complicated and approximate manner'; while the qualitative theory of surplus value in Volume 1 remained the essential kernel of the whole if one was 'to penetrate through the outward disguise into the internal essence and the inner form of the capitalist process of production'.*

* *ibid.*, 211, 190, 199.

It is also in Volume 3, together with the third part of Volume 2 and a section in the *Theorien*,* that the torso of Marx's theory of economic crises is to be found. The classical economists had tended to identify the rule of economic law with the postulation of an underlying stability and harmony in the economic system. There had been a famous controversy between Malthus and Ricardo as to the cause of periodic 'gluts' of commodities and as to whether it was possible for general overproduction of commodities to occur. But the view which was to become the orthodox doctrine of Ricardo's successors was that, given free trade and the removal of all obstacles to capital accumulation and the growth of industry, there was no reason for general 'gluts' to occur and no reason for the rate of profit on capital to fall. †

To this optimistic view Marx opposed the notion that capitalism was not a stable but an unstable system. While he accepted (even emphasized) the view that its movements were ruled by objective law, he was at the same time concerned to show that, as a mode of production, it rested on certain contradictions, and that the very forces which operated to yield an equilibrium of its elements generated counter-forces which periodically disrupted that equilibrium. In fact, any smooth mechanistic model, shaped in terms of equilibrium situations and smooth vectors of movement, was inappropriate. Conflict and interaction were of the essence of the system; and it was only by an appreciation of this fact that one could acquire any vision of its 'law of motion' and its historical destiny.

In the *Theorien* Marx speaks of general world crises as the succinct manifestation of 'all the contradictions of bourgeois society'; while 'particular crises (as regards both their content and their scope)' are the expression of these contradictions 'merely in a diffuse, insulated and partial form (*nur zerstreut, isoliert, einseitig*)'. ‡ In his analysis of these contradictions he is continually

* *Theorien*, (Ed. 1921), Vol. 2, Pt. 2, 233-332.

† For Ricardo the only sufficient reason for a fall in the profit rate was a rise of wages due to a rise in the value of subsistence through the operation of the law of diminishing returns on land. Given free trade and the possibility of food imports from overseas there was no need for diminishing returns on land to operate.

‡ *Theorien*, Vol. 2, Pt. 2. 318.

concerned to rebut the optimistic theories of the Ricardian school and to demonstrate the various ways in which a rupture of equilibrium was possible, and would moreover tend periodically to occur. He did not deny that it was possible in the abstract to construct 'conditions of equilibrium development' (from which it could be deduced that crises were not necessary if only these conditions were observed): what he denied was that there was any actual tendency in capitalist society for these abstract conditions to be fulfilled—on the contrary, they were only observed 'by an accident'. Moreover, a crisis was often, not merely the expression of a rupture of equilibrium, but itself the process by which the broken equilibrium asserted itself ('For a crisis is nothing but the forcible assertion of the unity of phases in the process of production which have become independent of one another', and 'crises are always but momentary and forcible solutions of existing contradictions, violent eruptions which restore the disturbed equilibrium for a while').* But the sequence of events by which a crisis originated in any particular case could not be abstractly postulated: it must be studied in the concrete circumstances of the special time and place. 'The actual crisis can only be depicted against the background of the actual movements of capitalist production.'† It is hardly surprising that one does not find in Marx any simple demonstration that crises are due to a single cause, or any clear-cut model to show the sequence of events by which crises always and inevitably arise. Such would have been too mechanical a procedure to have been congenial to the method of Marx. There has been a good deal of controversy in the last half-century as to which element in the situation described by Marx so fully and so roundly he intended to be regarded as *the* cause of crises. Into this controversy we cannot enter here; and in the writer's opinion some of this discussion has been actuated by a search for too mechanical and over-simplified a type of answer. All we can do here is to indicate the main strands which are to be distinguished in Marx's treatment of this subject. What is at any rate quite clear is that for Marx crises were an inevitable product of capitalist society: product of the many-sided contradiction between 'the productive forces and the productive relations' of capitalism. 'The real barrier of capitalist production',

* *ibid.*, 282, and *Capital*, Vol. 3, 292.

† *Theorien*, Vol. 2, Pt. 2, 286.

he wrote, 'is capital itself. . . . The barriers, within which the preservation and self-expansion of the value of capital resting on the expropriation and pauperisation of the great mass of producers can alone move, these barriers come continually in collision with the methods of production which capital must employ for its own purposes, and which steer straight toward an unrestricted expansion of production . . . toward an unconditional development of the productive forces of society.' And again: 'The capitalist mode of production meets with barriers at a certain scale of production, which would be inadequate under other conditions. It comes to a standstill at a point determined by the production and realization of profit, not by the satisfaction of social needs.'*

In the famous third part of Volume 2 of *Capital* Marx sets out the conditions under which capital accumulation ('expanded reproduction') can take place at a constant rate without any disturbance and breakdown of the process. But Marx was quick to indicate the numerous influences which would tend to disturb these conditions; one of them being the failure of capitalists who were accumulating depreciation reserves to spend these reserves at a steady rate on new 'constant capital', i.e. on new stocks of material and the replacement of fixed equipment. A similar breakdown of the process would occur if there was a disproportionate development of any branch of production—if one branch of production got out of step with the rest. Finding no market for its products, this industry would contract and discharge its workers, thereby tending through a spiral of declining demand to spread the contraction to other industries.

Towards the end of Volume 2 (in some very condensed passages) Marx introduces the case where 'expanded reproduction' occurs, not at a constant rate, but at an *increasing* rate. He shows that in this case a special type of problem arises; and it is here that the much-discussed 'under-consumption' element in crises comes in. When in any year the rate of accumulation increases, this means, *ceteris paribus*, that capitalists decide to spend (on their own enjoyment) a *smaller* portion and to save a larger portion of their surplus value than they did in the previous year. The rate of saving will rise and the rate of consumption will fall. When this happens, how will the capitalists in the industries producing consumption goods, who previously found a market in capitalists'

**Capital*, Vol. 3, 293, 303.

luxury expenditure, be able to dispose of all their output? If they cannot dispose of all their output, how will they *realize* the surplus value embodied in this output? And if they cannot realize this surplus value in money form, how will they be able to continue the investment process? Clearly, the workers are not in a position, because of their limited incomes, to buy the wares that the capitalists no longer wish to do. In these circumstances the process of investment must, again, break down, arrested by the failure of the *demand* for consumption goods to keep pace with their production, with the result that capitalists who have caused increased output to be produced cannot realize the anticipated surplus value or profit on this output. And if they lack the ready money with which to maintain investment, the demand for 'means of production' (machinery and raw materials, building materials, etc.) must also be curtailed.* 'Production without regard to the limits of the market lies in the nature of capitalist production', says Marx.†

In his analysis of expanded reproduction Marx had been tacitly assuming that, as new investment takes place, the ratio in which the new investment is distributed between constant and variable capital (the organic composition of capital) remains unchanged. For this condition to be fulfilled, not only must demand for commodities, but also the supply of labour power, be capable of a continuous and proportional expansion. In Volume 3 this assumption is removed, and the more likely case is considered where, along with the accumulation of capital, the technique of industry is changing, and with it the ratio of constant to variable capital is being raised. Marx shows that here a new problem arises (even if no disproportionate development occurs and the 'realization' difficulty does not arise). This problem is the tendency, as a result of the higher composition of capital, for

* Marx's answer to the conundrum: how then can the rate of expanded reproduction ever increase? is reserved to a few remarks in the last paragraph of Vol. 2. It is that this can occur only so far as the redundant consumption goods are exported, in exchange for gold from the gold producers. Evidently an export surplus for any other reason (e.g. foreign investment) would serve equally well; but a mere expansion of foreign trade—export of goods against equivalent goods imports—would not serve this end of finding an *additional* market for the goods. But an expansion of credit (i.e. of bank money) would presumably here have a parallel effect to an import of gold.

† *Theorien*, Vol. 2, Pt. 2, 301.

the *rate* of profit on capital to fall. It is clear that such a fall will tend to arrest the process of further investment and precipitate a crisis; while, operating as a long-term tendency, it will constitute a progressively increasing drag on the process of expansion of capital.

Marx is careful to add that there exist a number of 'counter-acting tendencies', which offset this effect. Chief of these are an increase in relative surplus value due to the consequential rise in labour productivity (which we have examined above), a cheapening of machinery and raw materials (thereby lowering the value of constant capital itself) and advantageous terms of foreign trade. Moreover, what are sometimes called 'capital saving inventions' (to which Marx devotes a longish chapter), while they may increase the material volume of means of production, will not increase (and may decrease) constant capital in *value* terms (or alternatively reduce the period of turnover) and will admittedly *raise* the rate of profit. There are indications, however, that Marx considered that the tendency to decline would in general, or at least in the long run, assert itself over the counter-tendencies (although he was careful to speak of it as having 'merely the character of a tendency'); and it seems clear that Marx was thinking here primarily of *labour-saving* inventions and of technical change as being predominantly of this type; although the actual outcome must, of course, always depend in large part on the result of the struggle between capital and labour over the division of the product. But in determining the net effect of any given technical change, it will be clear that two ratios are of crucial importance. First, there is the ratio of the proportional change in labour productivity consequent on the improvement to the proportional change in the organic composition of capital. Save in rather exceptional periods of rapid invention (which changes our knowledge as distinct from our utilization of known devices) it seems reasonable to suppose that this ratio is likely to decline as capital accumulation proceeds. Secondly, there is the ratio of this change in labour productivity to the resulting increase in relative surplus value (due to the fall in the necessary labour time and a consequent rise in the surplus labour time). In a passage which has sometimes been misinterpreted Marx points out that, as the rate of surplus value increases, each further increase in productivity (and the consequential decline in necessary labour time) must cause a progressively *smaller*

proportional increase in surplus value.* In other words, the counter tendency towards an increase of relative surplus value will grow weaker in its effect, and beyond a certain point will cease to arrest the tendency of the rate of profit to decline, unless, that is, the first of the two ratios we have mentioned increases progressively (which it seems extremely unlikely to do).

VI

Within 10 to 15 years after the appearance of the first volume of *Capital*, official Political Economy, as it reigned in the seats of learning, was fast beating a retreat from the position of the classical school. The labour theory of value was being discarded as a primitive and discredited solution; and in its place the new Utility Theories, preached by Menger and Wieser in Vienna and by Jevons in this country, were being enthroned. It can hardly be a coincidence that these new doctrines found such rapid acceptance so soon after Marx had turned Ricardo's reasoning to dangerous conclusions. A novel doctrine is more often than not slow to find acceptance in the face of established tradition. But with this new fashion it was the reverse: it was welcomed with unprecedented quickness. With its acceptance went a crucial shift both of emphasis and of scope. In place of the broad sweep and larger vision of the classical school, with its interest in questions of the distribution of the product between classes, there came a concentration on the microscopic problems of particular prices. Explanation of the phenomena of the market was no longer sought in conditions of production, but instead in the relationship between commodities and the subjective attitudes of individual consumers. The inconvenient problem of surplus value, and questions as to whether profit was the fruit of exploitation, were skilfully dropped by the device of inventing an apparatus of thought in which such questions could have no meaning.

This price economics proceeded to claim that it was dealing with exchange relationships which were common to any economic system, and that the 'laws' and 'necessities' which it enunciated

* *Capital*, Vol. 3, 290. This is the passage which refers to 'intensification of exploitation' having 'certain impassable limits'. The final limit is when 'necessary labour time' is reduced to zero, when further increases of productivity can increase surplus value no further (given the amount of labour and the length of the working day): a limit approached asymptotically.

had a wide range of generality. The result was subtly to shift attention away from the specific characteristics and results of capitalist society to an abstract economic society and an 'economic problem' which would remain the same whatever the system of property relations. This tendency has increased rather than decreased in recent years, in the degree in which the analysis of price-interdependence has become more mathematically refined and more formal; with the result that even certain economists who are critics of capitalism have claimed to deduce from their price equations laws which would govern a socialist economy and the type of mechanism which these 'necessities' of the economic problem would force such an economy to observe. By contrast, it was the view of Marx and Engels (as expressed in Engels' words) that political economy was an 'historical science', which 'must first investigate the special laws of each separate stage in the evolution of production and exchange, and only when it has completed this investigation will it be able to establish the few quite general laws which hold good for production and exchange considered as a whole'. To this he added: 'Anyone who wishes to bring under the same law the political economy of Terra del Fuego and that of modern England can produce nothing but the most vulgar commonplaces.'

Many of the earlier figures of the Subjective or Utility School had another string to their bow. They enunciated the proposition that a system of free exchange (which they identified implicitly with the capitalist system) resulted in the maximum of utility (or satisfaction of wants) to consumers. When this proposition proved hard to square with glaring inequalities of wealth and income, while the notion of 'utility' grew unfashionable and its relevance doubtful, the doctrine was superseded by another: that the existing system provided a democratic method of 'consumers' sovereignty'—of consumers voting for what they wanted to be produced; and it was argued that, while less inequality might be desirable in order to allot the votes more equally, this would be of little advantage if it could only be done at the expense of introducing 'planned regimentation of the consumer'.

It is hardly surprising that, when he was not being 'refuted', Marx should have been treated with contemptuous silence by most of the official economists of the past half century. Those who have deigned to assign him a place in the history of economic

Thought have generally treated him as a propagandist, who turned economic learning to his own purposes, but who as an economist contributed little or nothing of permanent value. The author of a much-used textbook of the history of economic thought expresses a judgment that is not untypical of the lack of understanding, if not actual hostility, that Marx has generally met with in such circles. The economic works of Marx are here dismissed with the judgment that 'nowhere is there in print such a miracle of confusion, such a supreme example of how not to reason', and with references to 'pedantic parade of learning, the display of rather puerile mathematical formulæ, the dexterous skating on thin ice, the subtlety approaching at times perilously near to sophistry.' To this is added the curious remark: 'Despite Marx's affected omniscience, *Capital* reveals very little real knowledge of the world. . . . He was too much in the British Museum and too little on the Epsom Downs on Derby Day.'*

It has sometimes been said that what economists create is tools for the handling of particular problems, and that it is as general purpose toolmakers that they must be judged. This analogy seems clearly insufficient. An economic theory such as Marx created must be judged as being a *model* of actual capitalist society—an abstract picture which is to be judged according as it throws into relief before our eyes what are the most significant features and the dominant tendencies in the world of complex detail which we have first to understand before we can effectively act upon it. Viewed in this light, can any reasonable doubt remain today as to which system of thought affords the most illuminating model of actual capitalist society—that of Marx or of his opponents? To a growing number of those who have acquired any full appreciation of the nature of modern capitalism (not only from sitting on Epsom Downs!) it must appear that there is no comparison between the two pictures, and that while the one has shown a prophetic insight of genius, the other has been characterised by obscurantism and false prognosis. That Marx's method at least posed the questions which have been proved by events to be the right ones is today conceded by an increasing number even of his opponents. Indeed, it seems clear that it is only in Marxist terms that any satisfactory definition of capitalism as an economic system, differentiated from alternative systems, is possible;

* Professor Alexander Gray, *The Development of Economic Doctrine*, 300-2.

and as witness to this the great majority of economists have eschewed the notion of capitalism altogether and even denied it the right to exist at all.

Thought has been led towards a new recognition of the importance of Marx's economic doctrines by two features especially of the modern world: recent developments in monopolistic organization and practices and the appearance of chronic economic crisis and mass unemployment in the leading capitalist countries in the two decades between wars. These events have prompted important developments in traditional economic theory (I refer particularly to modern theories of monopoly and imperfect competition and to the now fashionable critique of the traditional theory of employment), which themselves sap the foundations of traditional theories about 'economic harmonies' and of a self-regulating system of consumers' sovereignty. There are still those who, echoing the German Revisionists (Bernstein and others) of half a century ago, claim that Marx's prophecies about the future of capitalism have been refuted by events. A recent example of this type of attack on Marxism appeared in a volume in the Labour Book Service, and rested its case chiefly on the alleged 'embourgeoisement' of the proletariat in countries like Britain and America and on a growth instead of a decline in the numerical importance of the 'middle class'.* The details of such criticisms we have not space to examine here. One can only remark, as an example of how superficial such criticism can be, that in the instance just quoted the alleged growth of the 'middle class' was supported by statistics which lumped all clerical workers and shop assistants with the 'middle class', and ignored the fact that over three-quarters of clerical workers have (in a normal peacetime year) incomes of under £5 a week and about a third of them under 50/- a week.† It ignored likewise the fact that both clerical workers and important strata of technical and professional workers have recently grown increasingly akin, both in status and in the problems confronting them (for example, in their tendency to form trade unions), to the wage-earning proletariat, and that they bear

* E. F. M. Durbin, *The Politics of Democratic Socialism*, esp. P.109 et seq.

† cf. Colin Clark, *National Income and Outlay*, 101 & 106. Mr. Clark here points out that the increase of the category of 'salaried workers' in census figures over the past three decades represents an increase in the higher income grades which is probably due to the supersession of the independent employer by the salaried manager of the large concern.

little resemblance to that middle class of independent producers and small property-owners of which Marx spoke. When we consider that in the census figures for this country nearly 90% of the occupied population is classed as 'employed', less than 6% as employers and 'managerial', and no more than 6% as 'workers on their own account', there would seem to be remarkably little with which to quarrel in the general picture of the class-tendencies of capitalism as sketched by Marx.

It would indeed be surprising if any social forecast of this type were to turn out true in every detail; and there were many developments in latter-day capitalism which Marx and Engels, writing in the mid-nineteenth century, were not in a position to foresee. An example of these is the concrete detail of modern Imperialism as it was analysed in Lenin's famous study, written 30 years after the death of Marx. But when we view the matter in full perspective, the impressive and remarkable fact, surely, is how right, in all essential points, Marx's forecasts have proved to be. Growing instability of the capitalist mode of production, torn by a class struggle between the interests of capital and labour; an accentuating, not a mollification, of periodic crises, with a growing industrial reserve army as their consequence; a growing concentration and centralisation of capitals, with a consequent subordination of economic life to a narrowing circle of large capitalists, whose rule would increasingly become, both in essence and in appearance, a 'fetter on production'. To the essential soundness of the picture of capitalism that Marx gave us, belated tribute today is paid even in unlikely quarters. Of this one may, perhaps, conclude, quote two examples.

A few years ago the well-known study by Berle and Means* of American corporate wealth revealed that a half of all non-banking corporate wealth in the U.S.A. was controlled by no more than 200 companies. More recently a Committee of the official Securities and Exchange Commission studied again the same ground as the earlier investigation and showed that of these 200 companies one-half of all the dividends was received by less than 1% of the shareholders. In summing up their conclusions, Messrs. Berle and Means add their own comment that 'the rise of the modern corporation has brought a concentration of economic power which can compete on equal terms with the modern State . . .

* *The Public Corporation and Private Property.*

(and which) the future may see possibly even supersede it as the dominant form of social organization'.

Just before the war a mathematical economist of Harvard University (who himself repudiates many aspects of Marx's doctrine and method) paid this public tribute to Marx's 'brilliant analysis of the long run tendencies of the capitalistic system'. 'The record is indeed impressive: increasing concentration of wealth, rapid elimination of small and medium-sized enterprises, progressive limitation of competition, incessant technological progress accompanied by an ever-growing importance of fixed capital, and last but not least the undiminishing amplitude of recurrent business cycles—an unsurpassed series of prognostications fulfilled, against which modern economic theory with all its refinements has little to show.' He concludes: 'If one wants to learn what profits and wages and capitalist enterprises actually are, he can obtain in the three volumes of *Capital* more realistic and relevant first-hand information than he could possibly hope to find in ten successive issues of the U.S. Census (or) a dozen textbooks on contemporary economic institutions.'*

Finally, one may ask what better witness could one have of Marx's contention that capitalism was a transitory historical stage, destined itself to undergo revolution and to be replaced by socialism, than events in the U.S.S.R. since 1917, especially the economic might and the social cohesion shown by that formerly backward country whose achievements during the grim years of war against Fascist Germany amazed the world?

* W. Leontief in Proceedings of the 50th Annual Meeting of the American Economic Association, 1937, *American Economic Review Supplement*, March, 1938, pp. 5 and 9.

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