

KARL MARX A BRIEF BIOGRAPHICAL SKETCH WITH AN EXPOSITION OF MARXISM

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MARX'S ECONOMIC DOCTRINE

“It is the ultimate aim of this work to lay bare the economic law of motion of modern society, i.e., capitalist, bourgeois society,” says Marx in the preface to *Capital*. An investigation into the relations of production in a given, historically defined society, in their inception, development, and decline—such is the content of Marx’s economic doctrine. In capitalist society, the production of *commodities* is predominant, and Marx’s analysis therefore begin with an analysis of commodity.

Value

A commodity is, in the first place, a thing that satisfies a human want; in the second place, it is a thing that can be exchanged for another thing. The utility of a thing makes is a *use-value*. Exchange-value (or, simply, value), is first of all the ratio, the proportion, in which a certain number of use-values of one kind can be exchanged for a certain number of use-values of another kind. Daily experience shows us that million upon millions of such exchanges are constantly equating with one another every kind of use-value, even the most diverse and incomparable. Now, what is there in common between these various things. things constantly equated with one another in a definite system of social relations? Their common feature is that they are *products of labor*. In exchanging products, people equate the most diverse kinds of labor. The production of commodities is a system of social relations in which individual producers create diverse products (the social division of labor), and in which all these products are equated with one another in the process of exchange. Consequently, what is common to all commodities is not the concrete labor of

a definite branch of production, not labor of one particular kind, but *abstract* human labor—human labor in general. All the labor power of a given society, as represented in the sum total of the values of all commodities, is one and the same human labor power. Thousands upon thousands of millions of acts of exchange prove this. Consequently, each particular commodity represents only a certain share of the *socially necessary* labor time. The magnitude of value is determined by the amount of socially necessary labor, or by the labor time that is socially necessary for the production of a given commodity, of a given use-value.

“Whenever, by an exchange, we equate as values our different products, by that very act, we also equate, as human labor, the different kind of labor expended upon them. We are not aware of this, nevertheless we do it.” [*Capital*]. As one of the earlier economists said, value is a relation between two persons; only he should have added: a relation concealed beneath a material wrapping. We can understand what value is only when we consider it from the standpoint of the system of social relations of production in a particular historical type of society, moreover, or relations that manifest themselves in the mass phenomenon of exchange, a phenomenon which repeats itself thousands upon thousands of time. “As values, all commodities are only definite masses of congealed labor time.” [*A Contribution to the Critique of Political Economy*].

After making a detailed analysis of the twofold character of the labor incorporated in commodities, Marx goes on to analyze the *form of value* and *money*. Here, Marx’s main task is to study the *origin* of the money form of value, to study the *historical process* of the development of exchange, beginning with individual and incidental acts of exchange (the “elementary or accidental form of value”, in which a given quantity of one commodity is exchanged for a given quantity of another), passing on to the universal form of value, in which a number of different commodities are exchanged for one and the same particular commodity, and ending with the money form of value, when gold becomes that particular commodity, the universal equivalent. As the highest product of the development of exchange and commodity production, money masks, conceals, the social character of all individual labor, the social link between individual producers united by the market. Marx analyzes the various functions of money in very great detail; it is important to note here in particular (as in the opening chapters of *Capital* in general) that what seems to be an abstract and at times purely deductive mode of exposition deals

in reality with a gigantic collection of factual material on the history of the development of exchange and commodity production.

“If we consider money, its existence implies a definite stage in the exchange of commodities. The particular functions of money, which it performs either as the mere equivalent of commodities or as means of circulation, or means of payment, as hoard or as universal money, point, according to the extent and relative preponderance of the one function or the other, to very different stages in the process of social production.”

[*Capital*].

Surplus Value

At a certain stage in the development of commodity production money becomes transformed into capital. The formula of commodity circulation was C-M-C (commodity—money—commodity)—i.e., the sale of one commodity for the purpose of buying another.

The general formula of capital, on the contrary, is M-C-M—i.e., the purchase for the purpose of selling (at a profit).

The increase over the original value of the money that is put into circulation is called by Marx surplus value. The fact of this “growth” of money in capitalist circulation is common knowledge. Indeed, it is this “growth” which transforms money into *capital*, as a special and historically determined social relation of production. Surplus value cannot arise out of commodity circulation, for the latter knows only the exchange of equivalents; neither can it arise out of price increases, for the mutual losses and gains of buyers and sellers would equalize one another, whereas what we have here is not an individual phenomenon but a mass, average and social phenomenon. To obtain surplus value, the owner of money “must ... find... in the market a commodity, whose use-value possesses the peculiar property of being a source of value” [*Capital*]*—*a commodity whose process of consumption is at the same time a process of the creation of value. Such a commodity exists—human labor power. Its consumption is labor, and labor creates value. The owner of money buys labor power at its value, which, like the value of every other commodity,

is determined by the socially necessary labor time requisite for its production (i.e., the cost of maintaining the worker and his family). Having bought enough labor power, the owner of money is entitled to use it, that is, to set it to work for a whole day—12 hours, let us say. Yet, in the course of six hours (“necessary” labor time) the worker creates product sufficient to cover the cost of his own maintenance; in the course of the next six hours (“surplus” labor time), he creates “surplus” product, or surplus value, for which the capitalist does not pay. Therefore, from the standpoint of the process of production, two parts must be distinguished in capital: constant capital, which is expended on means of production (machinery, tools, raw materials, etc.), whose value, without any change, is transferred (immediately or part by part) to the finished product; secondly, variable capital, which is expended on labor power. The value of this latter capital is not invariable, but grows in the labor process, creating surplus value. Therefore, to express the degree of capital’s exploitation of labor power, surplus must be compared not with the entire capital but only with variable capital. Thus, in the example just given, the rate of surplus value, as Marx calls this ratio, will be 6:6, i.e., 100 per cent.

There were two historical prerequisites for capital to arise: first, the accumulation of certain sums of money in the hands of individuals under conditions of a relatively high level of development of community production in general; secondly, the existence of a worker who is “free” in a double sense: free of all constraint or restriction on the scale of his labor power, and free from the land and all means of production in general, a free and unattached laborer, a “proletarian”, who cannot subsist except by selling his labor power.

There are two main ways of increasing surplus value: lengthening the working day (“absolute surplus value”), and reducing the necessary working day (“relative surplus value”). In analyzing the former, Marx gives a most impressive picture of the struggle of the working class for a shorter working day and of interference by the state authority to lengthen the working day (from the 14th century to the 17th) and to reduce it (factory legislation in the 19th century). Since the appearance of *Capital*, the history of the working class movement in all civilized countries of the world has provided a wealth of new facts amplifying this picture.

Analyzing the production of relative surplus value, Marx investigates the three fundamental historical stage in capitalism’s increase of the productivity of labor: (1)

simple co-operation; (2) the division of labor, and manufacture; (3) machinery and large-scale industry. How profoundly Marx has here revealed the basic and typical features of capitalist development is shown incidentally by the fact that investigations into the handicraft industries in Russia furnish abundant material illustrating the first two of the mentioned stages. The revolutionizing effect of large-scale machine industry, as described by Marx in 1867, has revealed itself in a number of “new” countries (Russia, Japan, etc.), in the course of the half-century that has since elapsed.

To continue. New and important in the highest degree is Marx’s analysis of the *accumulation of capital*—i.e., the transformation of a part of surplus value into capital, and its use, not for satisfying the personal needs or whims of the capitalist, but for new production. Marx revealed the error made by all earlier classical political economists (beginning with Adam Smith), who assumed that the entire surplus value which is transformed into capital goes to form variable capital. In actual fact, it is divided into *means of production* and variable capital. Of tremendous importance to the process of development of capitalism and its transformation into socialism is the more rapid growth of the constant capital share (of the total capital) as compared with the variable capital share.

By speeding up the supplanting of workers by machinery and by creating wealth at one extreme and poverty at the other, the accumulation of capital also gives rise to what is called the “reserve army of labor”, to the “relative surplus” of workers, or “capitalist overpopulation”, which assumes the most diverse forms and enables capital to expand production extremely rapidly. In conjunction with credit facilities and the accumulation of capital in the form of means of production, this incidentally is the key to an understanding of the *crises* of overproduction which occur periodically in capitalist countries—at first at an average of every 10 years, and later at more lengthy and less definite intervals. From the accumulation of capital under capitalism we should distinguish what is known as primitive accumulation: the forcible divorcement of the worker from the means of production, the driving of the peasant off the land, the stealing of communal lands, the system of colonies and national debts, protective tariffs, and the like. “Primitive accumulation” creates the “free” proletariat at one extreme, and the owner of money, the capitalist, at the other.

The “**historical tendency of capitalist accumulation**” is described by Marx in the following celebrated words:

“The expropriation of the immediate producers is accomplished with merciless vandalism, and under the stimulus of passions the most infamous, the most sordid, the pettiest, the most meanly odious. Self-earned private property [of the peasant and handicraftsman], that is based, so to say, on the fusing together of the isolated, independent laboring-individual with the conditions of his labor, is supplanted by capitalistic private property, which rests on exploitation of the nominally free labor of others.... That which is now to be expropriated is no longer the laborer working for himself, but the capitalist exploiting many laborers. This expropriation is accomplished by the action of the immanent laws of capitalistic production itself, by the centralization of capital. One capitalist always kills many. Hand in hand with this centralization, or this expropriation of many capitalists by few, develop, on an ever extending scale, the co-operative form of the labor process, the conscious technical application of science, the methodical cultivation of the soil, the transformation of the instruments of labor into instruments of labor only usable in common, the economizing of all means of production by their use as the means of production of combined, socialized labor, the entanglement of all people in the net of the world market, and with this the international character of the capitalistic regime. Along with the constantly diminishing number of the magnates of capital, who usurp and monopolize all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organized by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under, it. Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument. The integument is burst asunder. The knell of capitalist private property sound. The expropriators are expropriated.” (*Capital*, Volume I)

Also new and important in the highest degree is the analysis Marx gives, in Volume Two of *Capital* of the reproduction of aggregate social capital. Here, too, Marx deals, not with an individual phenomenon but with a mass phenomenon; not with a fractional part of the

economy of society, but with that economy as a whole. Correcting the aforementioned error of the classical economists, Marx divides the whole of social production into two big sections: (I) production of the means of production, and (II) production of articles of consumption, and examines in detail, with numerical examples, the circulation of the aggregate social capital—both when reproduced in its former dimension and in the case of accumulation. Volume Three of *Capital* solves the problem of how the *average rate of profit* is formed on the basis of the law of value. This immense stride forward made by economic science in the person of Marx consists in his having conducted an analysis, from the standpoint of mass economic phenomena, of the social economy as a whole, not from the standpoint of individual cases or of the external and superficial aspects of competition, to which vulgar political economy and the modern “theory of marginal utility”^[1] frequently restrict themselves. Marx first analyzes the origin of surplus value, and then goes on to consider its division into profit, interest, and ground rent. Profit is the ratio between surplus value and the total capital invested in an undertaking. Capital with a “high organic composition” (i.e., with a preponderance of constant capital over variable capital in excess of the social average) yields a rate of profit below the average; capital with a “low organic composition” yields a rate of profit above the average. Competition among capitalists, and their freedom to transfer their capital from one branch to another, will in both cases reduce the rate of profit to the average. The sum total of the values of all the commodities in a given society coincides with the sum total of the prices of the commodities, but, in individual undertakings and branches of production, as a result of competition, commodities are sold not at their values at the *prices of production* (or production prices), which are equal to the capital expended plus the average profit.

In this way, the well-known and indisputable fact of the divergence between prices and values and of the equalization of profits is fully explained by Marx on the basis of law of value, since the sum total of values of all commodities coincides with the sum total of prices. However, the equating of (social) value to (individual) prices does not take place simply and directly, but in a very complex way. It is quite natural that in a society of separate producers of commodities, who are united only by the market, a conformity to law can be only an average, social, mass manifestation, with individual deviations in either direction mutually compensating one another.

A rise in the productivity of labor implies a more rapid growth of constant capital as compared with variable capital. Inasmuch as surplus value is a function of variable capital alone, it is obvious that the rate of profit (the ratio of surplus value to the whole capital, not to its variable part alone) tends to fall. Marx makes a detailed analysis of this tendency and of a number of circumstances that conceal or counteract it. Without pausing to deal with the extremely interesting sections of Volume Three of *Capital*, Vol. I devoted to usurer's capital, commercial capital and money capital, we must pass on to the most important section—the theory of *ground rent*. Since the area of land is limited and, in capitalist countries, the land is all held by individual private owners, the price of production of agricultural products is determined by the cost of production, not on soil of average quality but on the worst soil; not under average conditions but under the worst conditions of delivery of produce to the market. The difference between this price and the price of production on better soil (or in better conditions) constitutes *differential rent*. Analyzing this in detail, and showing how it arises out of the difference in fertility of different plots of land, and out of the difference in the amount of capital invested in land, Marx fully reveals (see also *Theories of Surplus Value*, in which the criticism of Rodbertus is most noteworthy) the error of Ricardo, who considered that differential rent is derived only when there is a successive transition from better land to worse. On the contrary, there may be inverse transitions, land may pass from one category into others (owing to advances in agricultural techniques, the growth of towns, and so on), and the notorious “law of diminishing returns”, which charges Nature with the defects, limitations and contradictions of capitalism, is profoundly erroneous. Further, the equalisation of profit in all branches of industry and the national economy in general presupposes complete freedom of competition and the free flow of capital from one branch to another. However, the private ownership of land creates monopoly, which hinders that free flow. Because of that monopoly, the products of agriculture, where a lower organic composition of capital obtains, and consequently an individually higher rate of profit, do not enter into the quite free process of the equalisation of the rate of profit. As a monopolist, the landowner can keep the price above the average, and this monopoly price gives rise to absolute rent. Differential rent cannot be done away with under capitalism, but absolute rent can—for instance, by the nationalisation of the land, by making it state property. That would undermine the monopoly of private landowners, and would mean the sole consistent and full operation of freedom of competition in

agriculture. That is why, as Marx points out, bourgeois radicals have again and again in the course of history advanced this progressive bourgeois demand for nationalisation of the land, a demand which, however, frightens most of the bourgeoisie, because it would too closely affect another monopoly, one that is particularly important and “sensitive” today—the monopoly of the means of production in general. (A remarkably popular, concise, and clear exposition of his theory of the average rate of profit on capital and of absolute ground rent is given by Marx himself in a *letter to Engels*, dated August 2, 1862. See Briefwechsel, Volume 3, pp. 77-81; also the letter of August 9, 1862, *ibid.*, pp. 86-87.)

With reference to the history of ground rent it is also important to note Marx’s analysis showing how labor rent (the peasant creates surplus product by working on the lord’s land) is transformed into rent paid in produce or in kind (the peasant creates surplus product by working on the lord’s land) is transformed into rent paid in produce or in kind (the peasant creates surplus product on his own land and hands it over to the landlord because of “non-economic constraint”), then into money-rent (rent in kind, which is converted into money—the *obrok*^[2] of old Russia—as a result of the development of commodity production), and finally into capitalist rent, when the peasant is replaced by the agricultural *entrepreneur*, who cultivates the soil with the help of hired labor. In connection with this analysis of the “genesis of capitalistic ground rent”, note should be taken of a number of profound ideas (of particular importance to backward countries like Russia) expressed by Marx regarding the *evolution of capitalism in agriculture*:

“The transformation of rent in kind into money-rent is furthermore not only inevitably accompanied, but even anticipated, by the formation of a class of propertyless day-laborers, who hire themselves out for money. During their genesis, when this new class appears but sporadically, the custom necessarily develops among the more prosperous peasants, subject to rent payments, of exploiting agricultural wage-laborers for their own account, much as in feudal times, when the more well-to-do peasant serfs themselves also held serfs. In this way, they gradually acquire the possibility of accumulating a certain amount of wealth and themselves becoming transformed into future capitalists. The old self-employed possessors of land themselves just give rise to a nursery school for capitalist tenants, whose development is conditioned by the general development of capitalist production beyond the bounds of the countryside.” [*Capital*, Vol. III]

“The expropriation and eviction of a part of the agricultural population not only set free for industrial capital the laborers, their means of subsistence, and material for labor; it also created the home market.” (*Capital*, Vol. I) In their turn, the impoverishment and ruin of the rural population play a part in the creation, for capital, of a reserve army of labor. In every capitalist country “part of the agricultural population is therefore constantly on the point of passing over into an urban or manufacturing [i.e., non-agricultural] proletariat.... This source of relative surplus population is thus constantly flowing.... The agricultural laborer is therefore reduced to the minimum of wages, and always stands with one foot already in the swamp of pauperism.” (*Capital*, Vol. I) The peasant’s private ownership of the land he tills is the foundation of small-scale production and the condition for its prospering and achieving the classical form. But such small-scale production is compatible only with a narrow and primitive framework of production and society. Under capitalism, the “exploitation of the peasant differs only in form from the exploitation of the industrial proletariat. The exploiter is the same: capital. The individual capitalists exploit the individual peasant through mortgages and usury; the capitalist class exploits the peasant class through the state taxes.” [*The Class Struggles in France*]

“The small holding of the peasant is now only the pretext that allows the capitalist to draw profits, interest and rent from the soil, while leaving it to the tiller of the soil himself to see how he can extract his wages.” (*The Eighteenth Brumaire*) As a rule, the peasant cedes to capitalist society—i.e., to the capitalist class—even a part of the wages, sinking “to the level of the Irish tenant farmer—all under the pretense of being a private proprietor.” (*The Class Struggles In France*)

What is “one of the reasons why grain prices are lower in countries with predominant small-peasant land proprietorship than in countries with a capitalist mode of production?” [*Capital*, Vol. III] It is that the peasant hands over gratis to society (i.e., the capitalist class) a part of his surplus product. “This lower price [of grain and other agricultural produce] is consequently a result of the producers’ poverty and by no means of their labor productivity.” [*Capital*, Vol. III] Under capitalism, the small-holding system, which is the normal form of small-scale production, degenerates, collapses, and perishes.

“Proprietorship of land parcels, by its very nature, excludes the development of social

productive forces of labor, social forms of labor, social concentration of capital, large-scale cattle raising, and the progressive application of science. Usury and a taxation system must impoverish it everywhere. The expenditure of capital in the price of the land withdraws this capital from cultivation. An infinite fragmentation of means of production and isolation of the producers themselves.”

(Co-operative societies, i.e., associations of small peasants, while playing an extremely progressive bourgeois role, only weakens this tendency, without eliminating it; nor must it be forgotten that these co-operative societies do much for the well-to-do peasants, and very little—next to nothing—for the mass of poor peasants; then the associations themselves become exploiters of hired labor.)

“Monstrous waste of human energy. Progressive deterioration of conditions of production and increased prices of means of production—an inevitable law of proprietorship of parcels.” [*Capital*, Volume III] In agriculture, as in industry, capitalism transforms the process of production only at the price of the “martyrdom of the producer.”

“The dispersion of the rural laborers over larger areas breaks their power of resistance, while concentration increases that of the town operatives. In modern agriculture, as in the urban industries, the increased productiveness and quantity of the labor set in motion are bought at the cost of laying waste and consuming by disease labor power itself. Moreover, all progress in capitalistic agriculture is a progress in the art, not only of robbing the laborer, but of robbing the soil.... Capitalist production, therefore, develops technology, and the combining together of various processes into a social whole, only by sapping the original sources of all wealth—the soil and the laborer.” [*Capital*, Volume III]

NOTES

[1] *The Theory of Marginal Utility*—An economic theory that originated in the 1870s to counteract Marx’s theory of value. According to this theory, the value of commodities are estimated by their usefulness and not the amount of social labor expended on their production.—*Ed.*

[2] Quit-rent.—*Ed.*