

Marx's Wage Theory in Historical Perspective

Its Origins, Development, and Interpretation

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The principles which regulate the wages of labour form, without any exception, the most interesting and important division of Political Economy. The labouring classes compose the great bulk of every community; and a country is happy or miserable, as they are well or ill supplied with the necessities, comforts, and enjoyments of life. The study of Political Economy, if it did not teach the way in which labour may obtain an adequate reward, might serve to gratify a merely speculative curiosity, but could scarcely conduce to any purposes of practical utility. It claims the peculiar attention of the benevolent and good, mainly because it explains the causes which depress and elevate wages, and thereby points out the means by which we may mitigate the distress, and improve the condition, of the great majority of mankind. Political Economy is not, as has been erroneously stated, the appropriate science of the statesman and the legislator; it is peculiarly and emphatically, *the science of the people*.

—Robert Torrens

Preface

This study has grown out of work I did previously in preparing an edition of Marx's and Engels's writings on trade unions (Lapides 1987). While that book also includes material on wages, it is confined to the context of workers' organized wage struggles and does not represent the full scope of Marx's theory.

Marx's treatment of trade unionism was there shown to stand on two legs, so to speak—one of which is political, the other economic. To fully grasp his theory of the labor movement, which must include understanding it in relation to the whole body of his thought, I felt it was important to arrive at a deeper insight into the economic analysis that is its underpinning. His theory of wages and wage labor is this presented here in its entirety for the first time.

I thought it essential that this theory also be seen in its historical context—as Marx developed it over the course of many years, out of material that was itself the result of more than a century's evolution (from Petty's formulation of the law of value to the critique of political economy made by its proletarian opponents in the 1820s and 1830s). And in addition to locating the sources of his wage theory, its intellectual antecedents and his own early investigations, I lay the groundwork for analyzing later developments in its interpretation by describing the historical background of the two major controversies that have long surrounded it.

But mainly I have focused on the actual development of his theory, in the words in which he expressed it, rather than on what scholars and critics have later said it to be. In order to reveal the true nature and rich texture of his thought, it was necessary to assemble Marx's own formulations, scattered, on the one hand, throughout his numerous work, and buried beneath mountains of commentary and criticism, on the other. It is my hope that by providing a faithful record of the complete evolutionary progress of Marx's theory, the foundation for a really fruitful discussion will be laid.

Chapter 1

Marx's Revolution in Wage Theory

The sale and purchase of labour capacity . . . forms the absolute foundation for the capitalist production process.

—Marx

Labor is performed, wages are paid. For most observers, what could be simpler or more natural? Yet wages, one of the most familiar aspects of capitalist economic relations, are at the same time their most mysterious. As Marx shows, nowhere else is so much concealed by so little.

Wages were paid and argued over long before there was wage theory. "Be content with your wages," the Bible urged (Luke III, 14). But historians tell another story: "Strikes are as old as history itself" (Webb 1920a, 2). As Marx said, "The contest between the capitalist and the wage labourer dates back to the very origin of capital" (*Collected Works* 35, 430).ⁱ Yet not until wage labor became a predominant aspect of economic relations do we see efforts to acquire systematic knowledge and understanding of it. Theories of wages have their origins therefore in the rise of modern economic thought that accompanied the capitalist transformations in Western Europe. They received their impetus from the need to manage the social conflicts ensuing from the wage relation, when that relation began to appear as the characteristic form of production and the police power of the state no longer seemed either completely adequate to the task or completely desirable for this purpose. But mostly wage theory began to evolve in response to the overall need for greater understanding of and control over the increasingly complex economic mechanism resting on wage-based production. Early discussions of wages were bound up therefore with thoughts on population, scarcity, subsistence, unemployment, immigration and emigration, the moral temper of the working class, and the ethical considerations of a "just price," as well as with questions concerning taxation, foreign trade, currency, the proper foundations of industry, and, most important, the promotion of national power on the world scene.

Wage theory thus has its roots in the seventeenth century, though its actual appearance was not made until the eighteenth.ⁱⁱ And while writers in Italy, Holland, France, and other countries contributed to laying the basis for political economy, including wage theory, only in Britain were modern bourgeois relations of production sufficiently developed that their reflection in the minds of thinkers could find—within that bourgeois horizon—adequate expression for the first time. The ascendancy of political economy in the nineteenth century cannot be understood therefore apart from the forms and relations of capitalist production attained in Britain—both inside the factory and in society at large, where the antagonistic relation between classes and the open struggles that resulted from it reached maturity earlier than anywhere else.ⁱⁱⁱ Although we review the early history of wage theory as developed by French writers of the eighteenth century, our attention will mainly focus—as did Marx's—on intellectual and social developments in Britain, where wage theory and the modern working class first stepped onto the stage of world history.^{iv}

A systematic body of thought that attempts to explain how wages are determined has been a clearly defined area within the science of economics only since the publication of Adam Smith's *Wealth of Nations* in 1776. Prior to this an analytical approach to wage determination was submerged in a normative, policy-driven discussion directed toward the mercantilist state. And though it was further developed in David Ricardo's *Principles of Political Economy and Taxation* (1817), the wage question was not of special concern to economists until the 1820s and especially the 1830s, when on an unprecedented scale working-class demands for higher wages, strikes, and associated revolutionary agitation placed it on the agenda in a manner linking it to the fate of the whole society. Wage theory was thus invested with a special social function, imparting to it and to political economy as a whole an apologetic character. A scientific approach to wage determination gave way to dogma, and in this

degraded state was enlisted in the campaign to shield capital from the demands of labor. As Marx described this period:

Thenceforth, the class-struggle, practically as well as theoretically, took on more and more outspoken and threatening forms. It sounded the knell of scientific bourgeois economy. It was thenceforth no longer a question, whether this theorem or that was true, but whether it was useful to capital or harmful, expedient or inexpedient, politically dangerous or not. In place of disinterested inquirers, there were hired prize-fighters; in place of genuine scientific research, the bad conscience and the evil intent of apologetic. (CW35, 15)

The tenets of political economy were regarded as the principal weapon in the ideological arsenal of capital. There was nothing better "for tranquilizing the popular mind and removing from it all those delusions which are the main cause of popular disaffection." Political economy, in short, was a "sedative to all sorts of turbulence and disorder" (Thomas Chalmers, "On Mechanics Schools and on Political Economy as a Branch of Popular Education," *Glasgow Mechanics Magazine*, June 1826; cited in Berg 1980, 163).^v Some economists entertained the hope that "if the workmen and labourers could be made to understand the subject, they would see that the division between themselves and the capitalist, or the rate of wages, is regulated by a law immutable as are those which govern the motion of the Heavenly bodies" (Carey [1835] 1965, 17). Economic ideologues, mixing cynicism and naïveté, espoused the Malthusian wage-fund doctrine, according to which the fixity of wages and the futility of strikes were thought to be proven.

How great a threat to bourgeois society the nascent working-class movement appeared to pose at that time may be gauged from the expressions of alarm voiced by contemporaries. Nassau Senior, for instance, believed that "the general evils and general dangers of combinations cannot be easily exaggerated." If, he said, "a few agitators can command and enforce a strike which first paralyzes the industry of the peculiar class of workpeople over whom they tyrannize, and then extends itself in an increasing circle" to the rest of industry, the results shall be calamitous. If allowed to continue, "we shall not retain the industry, the skill, or the capital, on which our manufacturing superiority, and with that superiority, our power and almost our existence as a nation, depends" (cited in Webb 1920a, 139–40).^{vi} Not only conservatives expressed this view. Peter Gaskell, whose *The Manufacturing Population of England* (1833) Engels utilized in writing his *Condition of the Working Class in England*,^{vii} thought that strikes taught workers "a dangerous power," and that the "scenes which were the result of these combinations of labour against capital and due subordination, all who have witnessed will join in condemning as tending to the destruction of social order, and the security of life and property" (Gaskell [1836] 1968, 266, 275).

The doctrine of a fixed wage fund was political economy's answer to trade unionism, and it permeated all public discourse on the subject of wages. Workers were subjected to a steady stream of warnings, instruction, and advice on this question. From the pulpit to the pages of Mrs. Marcet, the message was unmistakable: strikes and agitation for higher wages were not only foolish but harmful, not only futile but destructive. If workers did not always heed this counsel, they found no support from those around them. In fighting for higher wages they were constantly reminded that they were going against "the Laws of Political Economy." It made as much sense, they were told, to oppose the phases of the moon or the passing of the seasons. The laws of political economy were as eternal, as immutable, and as irresistible as the laws of nature. It was axiomatic that they had no alternative but to submit.

Working people, naturally, were reluctant to absorb this lesson. But the universal adherence to the wage-fund doctrine, while it did not always prevent them from challenging it, deprived them of any encouragement or support from the rest of society when it was most needed. Sympathy for their plight was abundant, but solidarity in their struggle was a scarce commodity. The depiction of the strikers in Charles Dickens's *Hard Times* (1854) or in George Eliot's *Felix Holt* (1866) illustrates how unattractive the infant labor movement was even to those who genuinely abhorred the widespread poverty of the age and were most inclined to identify with its victims.

Since Malthus first published his *Essay on Population* in 1798, the idea that there was a designated capital fund that exactly limited the extent of working-class employment and the level of wages began to

take possession of the bourgeois public's imagination. At first the notion of a specific wage fund controlling employment only gestated until Marcell's *Conversations on Political Economy* popularized it in 1816, and it was not authenticated by the leading lights of political economy until James Mill in 1821 and J. R. McCulloch in 1823 gave it the mantle of orthodoxy. But once the strikes of the 1820s and the revolutionary agitation of the 1830s aroused the public, first to disquiet, then to panic, economists began to devote more attention to informing the workers of the dangerous and futile nature of their demands for higher wages.^{viii}

But as its critics could not fail to observe, the notion of a fixed wage fund was bound to find favor with the middle-class public since it relieved it of responsibility for the appalling increase in poverty and degradation of the working class. The unprecedented misery that the new industrial system brought to England was held to be the result of the other great social effect of that same system—the huge increase in population. The arguments of the wage-fund apologists boiled down to this: so many people were poor because there were so many poor people.

According to the prevailing notion of the wage fund, a fixed and finite sum of capital (no more and no less) was available at any one time for the payment of wages, although this amount was understood to change over time. Wages and employment were strictly determined arithmetically by the ratio of the number of workers to the size of this fund. As James Mill wrote: "the rate of wages depends on the proportion between Population, and Employment, in other words, Capital" (Mill 1821, 25). Workers were told that the only way to improve their position was to limit their number, either by bringing fewer children into the world or through emigration. Mainly, though, they were told to avoid any action that might discourage or prevent the capitalist from augmenting his capital and thereby boosting the size of the wage fund.

Various critics refuted this doctrine, it being not difficult to show that such a rigid view of capital allocation was false. Finally, bowing to mounting criticism (and the increasingly obvious fact that workers could win wage increases through collective action), in 1869 John Stuart Mill publicly acknowledged that it was erroneous—his so-called recantation—and since then it has with few exceptions been regarded by economists as a self-serving notion that justifiably discredited the science of economics in the minds of working people. But neither Mill nor any earlier critics offered a satisfactory alternative theory of wage determination. It was left to Marx to refute the wage-fund dogma and to provide a completely new framework for analyzing wage phenomena.

This, one of his greatest achievements in economic analysis, had immense consequences for the fate of the socialist and trade union movements, and particularly for the relationship between them. Marx's theory of wages helped free the socialist movement from its hostility to trade union struggles and from sectarian sterility, while his theory of wage labor held out to the trade union movement freedom from what Engels called "a narrow circle of strikes" for unrealizable or unworthy goals (cited in Lapidès 1987, 127). As a result, socialists and trade unionists began to see beyond their rivalry and to cooperate in the interests of both the immediate and long-term aims of the working class. Marx achieved, as Karl Kautsky said, "the union of socialism with the working-class movement" (cited in Haupt 1982, 289n).

Thus, as early as the 1840s, when Marx began his study and critique of political economy, the wage question had been not only a clearly established area of inquiry but was universally regarded as critically important to the stability and welfare of the nation. It was ritually professed that the "principles which regulate the wages of labour form, without any exception, the most interesting and the most important division of Political Economy" (Torrens [1834] 1969, 1).^{ix} By the 1860s, the labor movement had gained strength and opposition to the wage-fund dogma reached its apogee. The analysis of wage determination became so contested that it appeared to knowledgeable observers as "the occasion of perhaps more bitter controversy than any other within the field of social inquiry" (Cairnes 1874, 157).

Also in the 1860s Marx completed his own analysis of wages, presenting it publicly for the first time in *Value, Price, and Profit* (1865) and two years later in volume 1 of *Capital*. Yet this aspect of Marx's thought has never received the attention it deserves—there has not been previously published even one full-scale study of his contribution to wage theory. Spurious debate and sterile controversy have dominated most discussion of it, while a comprehensive treatment of its structure, development, origins,

and implications has been neglected. Its importance for the working-class movement, however, as for an understanding of Marx's overall analysis of capitalism, cannot be overestimated. As Engels said, he "developed the first rational theory of wages we have" (Marx 1957, 16).

Obstacles to the study of Marx's wage theory are formidable. Not only was it the result of a process of evolution extending over the full course of his career, with the inevitable false starts and wrong turns, but nowhere did he systematically set forth, in one accessible format, this theory in all its aspects and contingencies, not even in *Capital*.^x His theory of wages can be fully understood therefore only after its many formulations are gathered up and placed in coherent order, allowing for the unfolding of the entire structure and the replacement of earlier ideas by more mature ones.^{xi} Moreover, because of the dialectical basis of his economic analysis and the organic structure of his theory of capital, his view of wages cannot be grasped without an appreciation of his concepts of value, surplus value, the dual nature of labor, and so on. Nor can wages be understood in Marx's analysis without relating them to the effects of technology and capital accumulation, the length of the workday, the role of trade unions and workers' wage struggles, plus various other factors he enumerates, from child labor to the world market. Wage theory was developed in various ways by Marx, but most significantly it became part of an integral *theory of wage labor* and thus an essential element in the analysis of the dynamics of capitalism. An examination of his wage theory requires therefore that we enter upon the broader terrain of his general analysis of capitalist economic relations.

Much of the difficulty in grasping Marx's wage theory is also due to the distinction he makes between the phenomenal shell of wages as the "price of labor" and the hidden, essential core of the labor–capital relation. "The final pattern of economic relations as seen on the surface, in their real existence and consequently in the conceptions by which the bearers and agents of these relations seek to understand them, is very much different from, and indeed quite the reverse of, their inner but concealed essential pattern and the conception corresponding to it" (Marx 1962, 205). Wages, in other words, are merely the phenomenal form of "essential relations" (CW35, 537). Moreover, there is the special role of wage labor in capitalist production as the source of surplus value, an area whose investigation political economy was reluctant to pursue. If the commodity is the "economic cell-form" of bourgeois society (CW35, 8), the worker–capitalist relationship is its elementary "organism." It is on their direct relation, embodied in the exchange of labor power for wages, that "the whole wages system and the whole present system of production hinge" (CW20, 135). For the laws governing wages to be properly analyzed, therefore, the labor–capital relation that is the underpinning of the wage phenomenon must first be understood. That, of course, was the goal Marx set himself in *Capital*. One of the "fundamentally new elements of the book," he told Engels, was "that for the first time wages are shown as the irrational outward form of a hidden relationship" (CW42, 514).^{xii}

Bound up with the mysteries of money, profits, and capital, wages presuppose a relation that expresses in deceptively simple form one of the most abiding social antagonisms in human history. Wages, in short, presuppose opposing social classes, and the conflicts that inevitably arise from the labor–capital relation express the essential contradiction between the parties even while masking the true nature of that contradiction. (These conflicts also have the potential to *unmask* that contradiction, and Marx's focus on the relation between the economic and the political forms of the class struggle is a major component of his thought.) The exchange of labor power for wages implies, in other words, an entire social structure based on unequal property relations, a society divided into opposing classes of possessors and non-possessors enmeshed in a relationship of exploitation. Political economy accepted as its premise this division of society in which the means of production were monopolized, confining itself to investigating the manifestations of this underlying reality. Ricardo declared that since the produce of the earth was allocated to the three principal classes of society in the forms of profit, rent, and wages, it was "the principal problem in Political Economy" to "determine the laws which regulate this distribution" (Ricardo 1951a, 5). Marx's critique of political economy, on the other hand, aimed at shifting the focus from the sphere of distribution to that of production. In *Value, Price, and Profit* he observed that "a struggle for a rise of wages follows only in the track of previous changes" in production, productivity, the value of labor power, the value of money, and so on. "By treating the struggle for a rise of wages independently of all

these circumstances, by looking only upon the change of wages, and overlooking all the other changes from which they emanate, you proceed from a false premise in order to arrive at false conclusions" (CW20, 143–44).

It was fundamental to Marx's whole approach that society's mode of production determined its distribution relations (and much else besides). As he wrote in *The Poverty of Philosophy*, "The handmill gives you society with the feudal lord; the steam-mill, society with the industrial capitalist" (CW6, 166). He argued repeatedly that the "structure of distribution is entirely determined by the structure of production" (CW28, 32), or, that the "specific distribution relations are . . . merely the expression of the specific historical production relations" (Marx 1962, 860). In the *Critique of the Gotha Program* he expressed dismay that the German socialists were inclined "to make a fuss about so-called *distribution* and put the principal stress on it": "The prevailing distribution of the means of consumption is only a consequence of the distribution of the conditions of production themselves; the latter distribution, however, is a feature of the mode of production itself. . . . Vulgar socialism . . . has taken over from the bourgeois economists the consideration and treatment of distribution as independent of the mode of production and hence the presentation of socialism as turning principally on distribution" (CW24, 88).

As Piero Sraffa observed, we cannot "speak of a rise or of a fall in the wage unless we specify the standard, for what is a rise in one standard may be a fall in another" (Sraffa 1960, 62). Much of the confusion surrounding the interpretation of Marx's wage theory also has been due to just such a failure to specify the terms of the equation. Marx himself was careful to distinguish between the value of labor power and its price, and also to distinguish among nominal, real, and relative wages. Each of these entities reflects a different level of analysis, and each refers to a different quantity. Not only are they not identical, but they can move in opposing directions and at different rates of change. Ascribing to Marx an "increasing misery thesis" because he spoke of a tendency toward a decline in the value of labor power, for example, is to not understand his theory at all.

But the main source of confusion remains the fact that he regarded wages as "a spurious form." As he shows, wages conceal "a content materially different from the expression of that form" (CW45, 90). Not only is the wage a price, and thus the monetary expression of the value of a commodity that varies from that value according to various circumstances and the conditions of the market, but it presents the appearance of being "the price of labor" when in fact it is the price of labor power. This distinction, seemingly slight, is in fact immensely important, even fundamental to uncovering the real economic processes that are involved in the wage relation. Yet few critics of Marx's theory have taken the trouble to understand this analysis, in which the phenomenal form is separated from its underlying content.

Marx would have appreciated the remark, made by Proust, that "a book is a huge cemetery." He described himself as "devouring" the work of countless authors, and it is often the case that their reappearance in *Capital* is their best monument. By tracing the development of wage theory from its origins to the point at which Marx found it when he began his critique of political economy, and by then examining the slow evolution of his own theory, we can best understand his relationship—as student, successor, and critic—to that tradition.^{xiii} He even helps us share his critical regard for his predecessors by providing in *Capital* a documentary record in the form of footnotes, wherein he cites the authors whose work he felt was most significant. Revolution, Marx teaches us, is a product of history, and his revolution in wage theory is no less so. By examining it in its historical context we hope to give both his theory and history their due.

NOTES

i. All references to Marx and Engels 1975– are given hereafter as "CW" followed by the volume number.

ii. "Although it first took shape in the minds of a few men of genius towards the end of the seventeenth century, political economy in the narrower sense . . . is nevertheless essentially a child of the eighteenth century" (Engels, *Anti-Dühring*; CW25, 139).

iii. "For the development of political economy and of the opposition to which it gives rise keeps pace with the *real* development of the social contradictions and class conflicts inherent in capitalist production" (Marx 1971, 501).

iv. "The English working men are the first-born sons of modern industry" (CW14, 656), Marx said. He also observed that they were the first to "throw down the gauntlet" to its ideological representatives, the political economists (CW35, 304).

v. "One of the most fanatic Malthusians is the *Reverend Thomas Chalmers*, who thinks that the only means for curing all social ills is the religious education of the labouring class (by which he means ramming down their throats the Malthusian population theory with edifying Christian priestly trimmings); at the same time he is a great defender of all abuses, of wasteful expenditure by the State, of fat livings for the clergy and of wild extravagance on the part of the rich" (Marx 1963, 299).

vi. In 1830, Lord Melbourne had asked Senior to make an official inquiry into trade unions and strikes. The economist "recommended the most intolerant measures which, if they had been enforced, and provided they had not provoked a revolution, would have effectively hampered the Trade Union Movement" (Bowley 1937, 277). His proposals to outlaw picketing, union organizing, and strikes would, in effect, have restored the Combination Laws, which had been repealed in 1824.

vii. Engels noted that Gaskell was "a Liberal, but wrote at a time when it was not a feature of Liberalism to chant the happiness of the workers" (CW4, 366n).

viii. "The economists say to the workers: Do not combine. By combination you hinder the regular progress of industry, you prevent manufacturers from carrying out their orders, you disturb trade and you precipitate the invasion of machines which, by rendering your labour in part useless, force you to accept a still lower wage. Besides, whatever you do, your wages will always be determined by the relation of hands demanded to hands supplied, and it is an effort as ridiculous as it is dangerous for you to revolt against the eternal laws of political economy" (Marx, *The Poverty of Philosophy*; CW6, 209).

ix. "The labourers form the mass of every community. The inquiry into the causes affecting wages is, therefore, the most important branch of political economy" (Senior [1831] 1966, 1). It is the "most important of all economic problems . . . to trace and exhibit the circumstances which determine the rate of wages and the condition of the labouring classes" (McCulloch [1854] 1967, iii). In the "whole science of Political-Economy, there is no subject more important" than the determination of wages (Longfield 1834, 200).

x. According to Henryk Grossmann: "All previous distortions of Marx's wage theory, both *intra* as well as *extra muros*, originate from misunderstanding the method by which Marx carried out his analysis. From this method it follows that Marx can nowhere provide a single, indivisible description of his wage theory. On the contrary, he enumerates in various places in his works the *several factors* that determine the level of wages" (*Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems* 1929; cited in Lapides 1994, 255).

"Marx's theory of wages," wrote Schumpeter, "forms an extremely complex whole which covers practically all the aspects of the wage phenomenon. . . . This whole must be pieced together from many parts of his writings and cannot be reconstructed here" (Schumpeter 1954, 664n).

xi. There are many writers who base their critique of Marx's wage theory on just such early, obviously inadequate formulations. Joan Robinson, for example, refers to the *Communist Manifesto*, written twenty years before the publication of *Capital*, to argue against his analysis (Robinson 1966, 32).

xii. "What is in fact brought to market is not labour, but the labourer. What he sells to the capitalist is not his labour but the temporary use of himself as a working power. This is the immediate object of the contract which the capitalist and the worker conclude, the purchase and sale which they transact" (Marx 1971, 113).

xiii. "Marx originally developed his doctrine in the form of a critique of what was then known as 'political economy,' and his reasoning cannot be adequately understood outside this context" (Lichtheim 1965, 162). Lenin described Marx's theory as "the legitimate successor of the best that was created by humanity in the nineteenth century in the shape of German philosophy, English political economy and French Socialism" (*Selected Works*, vol. 11, 3). Henryk Grossmann, however, disputes this "dominant view of Marx . . . as a student of and successor to the Classical economists" (Grossmann 1977, 32), though Marx himself was pleased to see his work described as "a necessary sequel to the teaching of Smith and Ricardo" (CW35, 17).

Chapter 2

The Treatment of Wages in the Period before Adam Smith

Every one but an idiot knows that the lower classes must be kept poor or they will never be industrious.

—Arthur Young

The foundations of wage theory were laid in the seventeenth and eighteenth centuries, in the works of mercantilist and physiocratic writers, culminating with Adam Smith's two great immediate predecessors, Sir James Steuart and A. R. J. Turgot. Apart from Steuart and Turgot, however, we cannot really speak of wage *theory* in the period before Smith, since inevitably the discussion of wages that took place in an environment of all-pervasive economic regulation was largely devoted to the question of at what level wages *ought to be*, given their presumed effects on prices, exports, productivity, and so on, rather than what they *would be* given various economic determinants. It was not, in other words, so much a question of how the operation of the market and other variables determined the rate of wages, but rather what policies the state should adopt to ensure a desired level of wages and, especially, what that level should be. Even so, the question of wages was of relatively minor importance to writers in the period before Adam Smith. For the most part, the treatment of wages was "preanalytic" (Schumpeter 1954, 267), though it was on this foundation that Smith erected the first systematic approach to wage theory and the starting point for all subsequent discussion.

The definitive triumph of capitalist forms of production in the sixteenth century was reflected in the writings of the mercantilist school (which Marx called the "vulgar economics" of the age). The attitude adopted by mercantilist writers toward wages was an index of their attitude toward the working class, and this of course reflected the attitude of the class whose ideological representatives they were. Prior to the Civil War in England, when the bourgeoisie still only aspired toward political power and presented itself as would-be guardian of the national interest, it tended to be more sympathetic to the claims of workers, or at least less intransigent in opposing them. After it acquired more influence over the state, much of that sympathy evaporated, as its narrow class interests came to the fore. Apart from a smaller (but ultimately more important) group, less in the grip of orthodox mercantilist doctrine and who espoused liberal, humanitarian sentiments, economists of the late seventeenth and early eighteenth centuries were more inclined toward a harsher view of wages, advocating a stricter standard of subsistence to which workers should be held, than were writers of the earlier period.¹ As Marx wrote, "Under the pretext of concern solely for the wealth of the nation and the resources of the state, they, in fact, pronounce the interests of the capitalist class and the amassing of riches in general to be the ultimate aim of the state, and thus proclaim bourgeois society in place of the old divine state. But at the same time they are consciously aware that the development of the interests of capital and of the capitalist class, of capitalist production, forms the foundation of national power and national ascendancy in modern society" (Marx 1962, 766). Yet the mercantilists also provided the "first theoretical treatment of the modern mode of production," although their analysis "proceeded necessarily from the superficial phenomena of the circulation process as individualized in the movements of merchant's capital, and therefore grasped only the appearance of matters" (Marx 1962, 331).

Mercantilist writers had inherited a tradition of state and guild intervention in the regulation of wage rates. In the late Middle Ages, artisans no less than agricultural laborers and other workers outside the framework of the guilds were subjected to a comprehensive schedule of wages, hours, and other regulations promulgated and enforced by the authorities. Ever since the devastations of the plague in the fourteenth century, which took the lives of perhaps a third of the population (in some areas, estimates are of 50 percent mortality), labor shortages and demands by workers for more compensation induced the state to

take an active part in keeping wages down. In England the Ordinance of Labourers of 1349 set a pattern for the relation among workers, employers, and the state that remained in place for almost the next five hundred years.

"Because a great part of the people and specially of the workmen and servants has now died in this plague," the decree read, "some seeing the necessity of lords and the scarcity of servants, will not serve unless they receive excessive wages." It stated that "no man shall pay or promise to pay to any man more wages . . . than is accustomed . . . nor shall any man in any wise demand or receive the same" (Bland, Brown, and Tawney 1919, 164–65). This attempt at regulation proved only of limited success and the injunction was repeated in more forceful language and in more specific terms. According to the Statute of 12 Richard II (1388), "because servants and labourers will not and for long time have not been willing to serve and labour without outrageous and excessive hire and much greater than has been given to such servants and labourers in any time past," a schedule of wages was to be put in effect. Thus, for example, a shepherd was allowed 10s. per year, a ploughman 7s., and so on (Bland, Brown, and Tawney 1919, 173).

The high-water mark of pre-capitalist legislation (enacted when the pre-capitalist period was expiring), the Statute of Labourers of 1563,² repealed all previous enactments pertaining to laborers and introduced a sweeping program of controls. Besides providing for the restriction of wage demands, it decreed: "All artificers and labourers being hired for wages by the day or week shall betwixt the midst of the months of March and September be at their work at or before 5 of the clock in the morning, and continue at work until betwixt 7 and 8 of the clock at night," except at mealtimes, and from September to March they were to work from dawn to dusk (Bland, Brown, and Tawney 1919, 327). Justices of the peace each year were to set rates of wages; the penalty for giving wages higher than these rates was set at ten days' prison and a fine, and for receiving higher wages the penalty was 21 days' prison. There was no penalty for giving less than the prescribed rate.³

Deprived of their bargaining power while economic conditions were increasingly unstable, working people suffered an erosion of living standards. The increasing power of capital also accelerated the weakening of the guilds, which eroded their function of setting wages. This further encouraged the state to maintain its system of wage controls and thus to assume responsibility for "maintaining the 'standard of life' of the working community" (Lipson 1947, 251). When a statute of James I (1603–4) empowered justices of the peace to fix minimum rates of wages, workers began to turn to the authorities for redress of their grievances. Thus, for example, textile workers in Wiltshire petitioned in 1623 for a more favorable wage scale:

May it please you to be informed of the distressed estate of most of the weavers, spinners, and others that work on the making of woollen clothes, that are not able by their diligent labours to get their livings, by reason that the clothiers at their will have made their work extreme hard, and abated wages what they please. (Bland, Brown, and Tawney 1919, 356–57)

The question that economists in this period faced, therefore, was on what principle or by what criteria the level of wages ought to be regulated. "The Statute of Apprentices was based on the understanding that 'in the time of scarcity and in the time of plenty' the labourer's standard of life should remain uniform. To the end of the seventeenth century the theory was generally maintained that the cost of living should determine the remuneration of labour" (Lipson 1947, 272).⁴ This led to the question which was of greatest importance to writers who mainly dealt with the problems of commerce and international trade: what effect does the rate of wages have on the national economy, in other words, is it in the nation's interest for wages to be low or high?

The prevailing view was that low wages resulted in lower prices and therefore gave encouragement to the export trade, promoted the growth of industry, and increased the national wealth. According to one writer, "'tis a certain maxim that cheapness of labour, and consequently the cheapness of goods, is the only means to increase their consumption either at home or abroad" (cited in Lipson 1947, 273).⁵

It was also widely believed that low wages were more conducive to greater productivity and labor discipline. Thus it was a common refrain in the economic tracts of this period "that the worker is always

too well paid" (Mantoux 1961, 69). High wages, it was widely observed, led to difficulties in procuring labor and to troublesome attitudes by workers toward their employers. The conventional view may be seen in the words of Joshua Gee:

When corn has been cheap, (clothiers and manufacturers) have had great difficulty in getting their spinning and other work done;⁶ for the poor could buy provision enough with two or three days wages to serve them a week, and would spend the rest in idleness and drinking etc. . . . But when corn has been dear, they have been forced to spend all the week at work and the clothiers have had more work done with all the ease that could be desired. . . . [O]ur neighbors give much less wages to their workmen than we do, and consequently can sell cheaper. (*The Trade and Navigation of Great Britain Considered*, 2nd ed. 1730; cited in Wermel 1939, 12)

William Petty, cited by Marx for establishing the fundamental law of political economy—the determination of value by labor time—commented only in passing on the wage question.⁷ "Besides," he wrote, "it is unjust to let any starve, when we think it just to limit the wages of the poor, so as they can lay up nothing against the time of their impotency and want of work" (*A Treatise of Taxes & Contributions*, 1662; Petty [1899] 1986, 20). Petty's greatest influence on the future development of wage theory resulted from his formulation of the law of value, since eventually it became clear that the wage relation involved an exchange of commodities. In fact, his contribution to value theory and the general tenor of his writings place him outside the mercantilist school. His commentary on wages that is most often cited is revealing both of seventeenth-century attitudes and his ability to see further than his contemporaries:

Now if it were proclaimed, That Labourers Wages, &c. should not rise at all upon this [proposed or hypothetical] raising [of the value] of Money, then would this Act be onely a Tax upon the said Labourers, as forcing them to lose half their wages, which would not be onely unjust but impossible, unless they could live with the said half, (which is not to be supposed) for then the Law that appoints such Wages were ill made, which should allow the Labourer but just wherewithall to live; for if you allow double, then he works but half so much as he could have done, and otherwise would; which is a loss to the Publick of the fruit of so much labour. (*A Treatise of Taxes & Contributions*, 1662; Petty [1899] 1986, 87)

It is unclear whether he has in mind here a law of science, of state, or both.

According to Michael Wermel, author of the only comprehensive history of wage theory, John Locke was the "first to attempt a more general statement of the tendency of wages to fall to the minimum of the means of subsistence" (Wermel 1939, 25). A contemporary of Petty and a writer who had earlier anticipated theoretically the revolutionary program of the Civil War,⁸ Locke introduced the element of class struggle (a factor increasingly difficult to ignore) into his discussion of wages:

For the laborer's share, being seldom more than a bare subsistence, never allows that body of men time or opportunity to raise their thoughts above that, or struggle with the richer for theirs, unless when some common and great distress uniting them in one universal ferment, makes them forget respect and emboldens them to carve to their wants with armed force; and then sometimes they break in upon the rich, and sweep all like a deluge. (*Some Considerations of the Consequences of the Lowering of Interest and Raising the Value of Money*, 1692; cited in Wermel 1939, 26)

A number of other writers challenged the mercantilist call for imposing lower wages, demonstrating a wider vision and a more humane spirit. This group, which included Daniel Defoe, Josiah Child, John Cary, Jacob Vanderlint, Dudley North, David Hume, James Steuart, and others, evinced an independent cast of mind that placed them beyond the mercantilist mold. Defoe, for example, stated: "If you would reduce the price of our manufacture by reducing the wages of the poor, who are the workers or manufacturers, it is not possible but that you will reduce the value and goodness of the manufacture. If you expect the poor should work cheaper and not perform their work slighter and more overly, as we call it, and superficially, you expect what is not in the nature of the thing" (*A Plan of the English Commerce*,

1728; cited in Lipson 1947, 273). He rejected outright the "fundamental mercantilist idea that a country might become rich through the poverty of its people" (Heckscher 1935, vol. 2, 171).

If then these Gentlemen, who are for forcing the Consumption of our Manufacture in England, (or in any of those Countries in Europe where they work cheapest,) by their mere Cheapness, are content to reduce the wages of the People that make them, to the rate of those in China or India, there is no doubt they might increase the Consumption and sell off the Quantity; *but what would be the Advantage? They would sell their Goods and ruin their People*; the Benefit of which in the Gross, I confess I do not understand (Defoe, *A Plan of the English Commerce*, 1728; cited in Heckscher 1935, vol. 2, 171; emphasis added)

Defoe also suggested a basis for an analysis of wage rates, in a departure from the purely normative mercantilist view: "Wages, like exchanges, rise and fall as the remitters and drawers, the employers and the workmen, balance one another. . . . [O]ne poor man wanting but a days work would bring down the price of labor in a whole nation, for the man cannot starve, and will work for anything rather than want it" (*Giving Alms No Charity*, 1704; cited in Wermel 1939, 24).

High wages, according to Child, are "an infallible evidence of the riches of that country." The Dutch, by giving higher wages, "have drained us of our seamen and woollen manufacturers" (*A New Discourse of Trade*, 1690; cited in Lipson 1947, 273). Vanderlint, while he felt that money wages were too high, opposed "making the poor fare harder or consume less than their reasonable wants in that station require; for they being the bulk of mankind would in this case affect the consumption of things in general so mightily that there would be a want of trade and business amongst the other part of the people," and this would "affect the rents." He added: "If it was unreasonable to muzzle the ox that trod out the corn, what name shall I give the measures that render it so difficult for the bulk of mankind" to raise families? (*Money answers all Things*, 1734; cited in Lipson 1947, 520–21).

John Cary, in his *Essay on the State of England* (1695), shared this view, declaring: "Both our Product and our Manufactures may be carried on to advantage without running down the labour of the Poor" (cited in Heckscher 1935, vol. 2, 169–70). He also wrote: "Running down the labor of the poor is no advantage to it, nor is it the interest of that part of the Kingdom called England to do it, nor can the people thereof live on so low wages as they do in other countries; for we must consider, that wages must bear a rate in all nations according to the price of provisions" (*A Discourse on Trade*, 1745; cited in Wermel 1939, 5). David Hume, an important influence on Steuart and Smith, agreed that high wages could dampen trade, but insisted that "as foreign trade is not the most material circumstance, it is not to be put in competition with the happiness of so many millions" (*Political Discourses*, 1752; cited in Viner [1937] 1975, 57). "Every person," he wrote, "if possible, ought to enjoy the fruits of his labour, in a full possession of all the necessities, and many of the conveniences of life. No one can doubt that such an equality is most suitable to human nature, and diminishes much less from the *happiness* of the rich than it adds to that of the poor" ("Of Commerce," 1752; cited in Bowley 1973, 179).

In 1767, Sir James Steuart published *An Inquiry into the Principles of Political Oeconomy*, making him, in Marx's words, "the first Briton to expound a general system of bourgeois political economy" (CW29, 297). Although Steuart's work was soon eclipsed by Smith's *Wealth of Nations*, it represents an important advance in the area of wage theory. This is true despite the fact that he upheld the mercantilist doctrine that wages should be kept low enough to give an advantage to exports, and that he rejected the view that the level of wages was determined by the cost of living. What distinguishes Steuart from his predecessors and gives his work special merit is, first, his belief that wages should be kept down by market forces, rather than by the coercive powers of the state or by *oppression*, as he put it, and second, his sophisticated analysis of the social and historical character of workers' needs. His liberal attitude toward their physical and psychological requirements, reflecting the mid-eighteenth-century Enlightenment vision of a social order free of human misery, contrasts sharply with the view exemplified by T. R. Malthus. His discussion, however, remained primarily normative, a prescription for policy, rather than an analytical treatment of the factors determining wages.

The "rate of wages," he wrote, "is in proportion to the value of the work performed, relatively to the

person who employs the workman, and not in proportion to the price of subsistence. . . . In every industrious society, the lowest class is frequently found reduced to the barely necessary. The competition among themselves to obtain employment at any rate, produces this effect; and competition must be allowed its free course" (Steuart 1966, 400–401).

Regarding international trade, he suggested that if the statesman should "find that goods are not exported, because of high prices, while manufacturers are enjoying superfluity, and indulging themselves in idleness, let him multiply hands, and he will reduce them all to their physical-necessary; and by thus augmenting the supply, he will also reduce the prices in his markets at home." When workers, he writes, "can insist upon an augmentation of their wages, the demand of the market must be greater than the supply from their work. This is the circumstance which raises the price of labour. Let the demand of the market fall, the prices of labour will fall, in spite of all the reasons which ought naturally to make them rise. The workmen will then enter into a hurtful competition, and starve one another, as has been often observed" (Steuart 1966, 693–94).

According to Viner, "Steuart was merely expressing in blunter fashion than was common the position implicit in much of the mercantilist treatment of the labor question when he stated that 'the lowest classes of a people, in a country of trade, must be restrained to their physical-necessary. . . . It is therefore a principle, to encourage competition universally until it has had the effect to reduce people of industry to the physical-necessary'" (Viner [1937] 1975, 56–57n).⁹ Examining Steuart's remarks in their full context, however, reveals some important differences with mercantilist doctrine. He also said, "this restraint must not be brought about by *oppression*, but by the effects of *competition* alone." And the principle of reducing workers through competition to their physical-necessary includes preventing "it from ever bringing them lower" (Steuart [1805] 1967, 238–39). Moreover, his definition of "physical-necessary" is one of "*ample subsistence*":

It is ample subsistence where no degree of superfluity is implied, which communicates the idea of the physical-necessary. . . . A man enjoys the physical-necessary as to food, when he is fully fed; if he is likewise sufficiently clothed, and well defended against every thing which may hurt him, he enjoys his full physical-necessary. . . . Animals which are forced to labour, prove to us very plainly, that this physical-necessary is not fixed to a point, but that it may vary like most other things. (Steuart 1966, 269)

Steuart's concern for the workers' well-being led him to suggest two qualifications that later must have appeared quite insane to the economists of the Manchester school. First, that this physical-necessary "a strong healthy person should be able to gain by the exercise of the lowest denominations of industrious labour, and without a possibility of being deprived of it, by the competition of others of the same profession." And, second, "that in computing the value of the *physical-necessary* of the lowest denomination, a just allowance must be made for all interruptions of labour: no person can be supposed to work every free day; and the labour of the year must defray the expense of the year" (Steuart 1966, 273, 275).

Regarding those wants that are not reducible to merely physical requirements, he writes:

The nature of man furnishes him with some desires relative to his wants, which do not proceed from his animal oeconomy, but which are entirely similar to them in their effects. These proceed from the affections of his mind, are formed by habit and education, and when once *regularly established*, create another kind of necessary, which, for the sake of distinction, I shall call *political*. . . .

The measure of this species of *necessary*, is determined by general opinion only, and therefore can never be justly ascertained; and as this opinion may have for its object even those who are below the level of the *physical-necessary*; it often happens, that we find great difficulties in determining its exact limits.

It may appear absurd, to suppose any one to enjoy *superfluity* (which we have called the characteristic of *political-necessary*) to whom any part of the *physical-necessary* is found wanting. However absurd this may appear, yet nothing is more common among men. . . . The desires which proceed from the affections of his mind, are often so strong as to make him comply with them at the expense of becoming incapable of satisfying those which his animal oeconomy necessarily demands.

From this it happens, that however easy it may be to conceive an accurate idea of a physical-necessary for other *animals*, nothing is more difficult, than to prescribe the proper limits for it with regard to *man*. (Steuart 1966, 270–71)

Reverberations of this discussion may be heard in Marx's treatment of the socially relative basis of human needs and their relation to wages.

"The real science of modern economy only begins when the theoretical analysis of production passes from the process of circulation to the process of production" (Marx 1962, 331). This advance from mercantilism was accomplished by Quesnay and the physiocrats, making them "the true fathers of modern political economy. . . . The analysis of *capital*, within the bourgeois horizon, is essentially the work of the Physiocrats" (Marx 1963, 44).

However, before Quesnay and his successor, Turgot, revolutionized political economy, Richard Cantillon's *Essai sur la Nature du Commerce en Général*, "the most powerful work in economic theory up to its time" (Letwin [1963] 1975, 216), prepared the way. It was written between 1730 and 1734, and published in 1755. Cited by Smith in the *Wealth of Nations* and by Marx in *Capital*,¹⁰ it was first noticed by Quesnay, who "refers the origin of the great school of French Economists to this *Essai*" (Jevons, "Richard Cantillon and the Nationality of Political Economy," 1881; in Cantillon [1931] 1964, 347). Jevons described Cantillon's work as the "first systematic Treatise on Economics," observing that it contains "the germ of Adam Smith's important doctrine concerning wages in different employments" (Cantillon [1931] 1964, 360, 343). But Jevons, an early advocate of the marginal utility doctrine and thus an opponent of Ricardian value theory, ignored the fundamental insight attained by Cantillon in this regard (and on which the Smithian doctrine rests), the determination of the level of wages on the basis of Petty's formulation of the law of value.

Cantillon remarks that "Artisans or Craftsmen" must receive a higher rate of wages than "a Husbandman or common Labourer," since "their labour will necessarily be dear in proportion to the time lost in learning the trade and the cost and risk incurred in becoming proficient" (Cantillon [1931] 1964, 19). Besides compensating the expense of training, higher wages are also paid for more complex and for more intensive labor: "The Crafts which require the most Time in training or most ingenuity and Industry must necessarily be the best paid" (Cantillon [1931] 1964, 21). It is evident that he is here following Petty on the nature of value, explicitly stating (in language that resembles Petty's) that "the Price or intrinsic value of a thing is the measure of the quantity of Land and of Labour entering into its production, having regard to the fertility or produce of the Land and to the quality of the Labour" (Cantillon [1931] 1964, 29).

On this foundation Cantillon ponders the relation between value and labor: "it is seen that the value of the day's work has a relation to the produce of the soil" (Cantillon [1931] 1964, 41). But from analyzing the value of a commodity by the labor time required to produce it, he reverses the equation and opens the door to establishing the connection between surplus value and the value of labor power. He takes a crucial step toward defining the problem of determining the value of labor power, though it is crudely expressed and not clearly conceptualized; in doing so, he arrives at the basis for the concept of surplus value by making the distinction, if only implicitly, between the value of *what is produced by labor* and the values required to *produce labor power* (he does not of course use the expression "labor power"). He says, "the Labour of a free Labourer ought to correspond in value to double the produce of Land needed for his maintenance" (Cantillon [1931] 1964, 35). He explains that this amount is arrived at in order to allow for the support of the laborer's children, in other words, to provide for a continuous supply of labor power. By computing the value of labor power according to a definite amount of produce, he is in effect linking these two entities to a third, the labor time required to produce them. This analysis was later incorporated by Quesnay into physiocratic doctrine, although he did not carry forward the value theory that Cantillon had adopted. Yet, as Marx observed, it was the basis for the achievements of the political economists of the late classical period, and thus for those of Marx himself.

Cantillon also incorporates into his analysis the notion of a *customary* level of subsistence, which was to play such a large part in later wage theory, especially Marx's. A worker will be paid "according to the custom of the place he lives in," he writes, since the amount of subsistence "varies according to the

mode of living in different countries" (Cantillon [1931] 1964, 35, 39). Like his mercantilist contemporaries, he gives no weight to any struggle of the workers for higher wages, conceding to the employer the role of setting the rate at which they will be paid. He writes, "the Landowners and Undertakers [*Entrepreneurs*] will fix the wages of their Domestic Servants and Workmen at so much a day or year, so that they and their families may be able to live on the wages they receive" (Cantillon [1931] 1964, 177). This might also reflect the more complete suppression of independent working-class organization in France than in England, and the more rigorous enforcement of wage controls.

Dr. François Quesnay, consulting physician to Louis XV, is best known for his *Tableau Économique* and for his position as founder and head of the physiocratic school. The *Tableau*, the first attempt to construct a macroeconomic model of the capitalist circuits of production and consumption, was praised by Marx as "one of the most brilliant generalisations political economy has ever produced" (CW45, 265). Quesnay himself, he remarked, "was the first to put political economy on its real, i.e., capitalist, basis" (CW45, 452). However, apart from statements that could be described as the germ of the wage-fund doctrine (examined in chap. 4), his discussion of the wage question does not significantly add to what had already been arrived at, merely repeating "that which had been said long before" (Wermel 1939, 54).

In an early article, for example, Quesnay expressed the stock attitude that low food prices undermine the workers' diligence:

[I]t is very harmful to allow the people to get used to buying corn at too low a price. As a result they become less hard-working; they spend little on the bread they eat and become lazy and presumptuous; farmers have difficulty in finding workers and servants and are very badly served by them in years of plenty. It is important that the common people should earn more, and that they should be spurred on by the need to earn. ("Corn"; cited in Meek 1962a, 86)

Later, however, he abandoned this mercantilist dogma (which did have a basis in reality) and adopted a more enlightened view. In the *Tableau* he advocated a comfortable level of subsistence for laborers as a necessary element in the prosperity of the whole society, criticizing those who expressed the opposite viewpoint.

In his analysis of social reproduction, he said, it is assumed

That people do not believe that cheapness of produce is profitable to the lower classes; for a low price of produce causes a fall in their wages, reduces their well-being, makes less work or remunerative occupations available for them, and reduces the nation's revenue.

A high price of corn, for example, provided that it is constant, is more advantageous to the lower classes in an agricultural kingdom than a low price. The daily wage of a labourer is fixed on the basis of the price of corn, and amounts to a twentieth of the price of one *setier*.¹¹ On this basis, if the price of corn were constantly at 20 livres, the labourer would earn about 260 livres in the course of the year. He would spend 200 livres of this on corn for himself and his family, and would have 60 livres left over for other needs. If on the other hand a *setier* of corn were worth only 10 livres, he would earn only 130 livres. He would spend 100 livres of this on corn, and would have only 30 livres left over for other needs. It is for this reason that we observe that provinces where corn is dear are much more populous than those where it is at a low price. . . .

That the well-being of the lower orders is not reduced; for then they would not be able to contribute sufficiently to the consumption of the produce which can be consumed only within the country, and the reproduction and revenue of the nation would be reduced. . . .

In order to justify the harassment of the inhabitants of the countryside, the extortioners have put forward as a maxim *that it is necessary that the peasants should be poor, so as to prevent them from being idle*. The contemptuous bourgeois have readily adopted this cruel maxim because they pay less heed to other more peremptory maxims, namely that *the man who is unable to save anything does only just as much work as is necessary to earn his food; and that in general all men who can save are industrious*,

because all men are greedy for wealth. . . .

Ministers who are guided by feelings of humanity, by superior education, and by more far-seeing views, indignantly reject hateful and destructive maxims which lead only to the devastation of the countryside. For they are not unaware of the fact that it is the wealth of the inhabitants of the countryside which gives birth to the wealth of the nation. POOR PEASANTS, POOR KINGDOM. ("Extract from the Royal Economic Maxims of M. de Sully"; Quesnay 1972, 10)

This, one of Quesnay's few extended comments on the wage question, is largely prescriptive rather than analytical. Still, he arrives at a precise formula for determining the value of labor power and declares it to be "fixed" at that amount. It was this depiction of a definite wage level that Marx believed to be of great significance.

Quesnay declared that the "level of wages, and consequently the enjoyments which the wage-earners can obtain for themselves, are fixed and reduced to a minimum by the extreme competition which exists between them" ("Second Economic Problem," 1767; cited in Meek 1962a, 194). This is unremarkable as wage theory, but his emphasis on a fixed minimum is characteristic of physiocratic doctrine, and it was this that Marx pointed to, despite its incorrectness, as the basis for political economy's subsequent analysis of surplus value:

The determination of the *value* of labour-power, as a commodity, is of vital importance. . . . It is only on this basis that the difference arises between the *value* of labour-power and the *value which that* labour-power *creates*. . . .

Therefore the foundation of modern political economy, whose business is the analysis of capitalist production, is the conception of the *value of labour-power* as something fixed, as a given magnitude—as indeed it is in practice in each particular case. The *minimum of wages* therefore correctly forms the pivotal point of Physiocratic theory. They were able to establish this although they had not yet recognised the nature of value itself, because this *value of labour-power* is manifested in the price of the necessary means of subsistence, hence in a sum of definite use-values. Consequently, without being in any way clear as to the nature of value, they could conceive the value of labour-power, as far as it was necessary to their inquiry, as a definite magnitude. If moreover they made the mistake of conceiving this *minimum* as an unchangeable magnitude—which in their view is determined entirely by nature and not by the stage of historical development, which is itself a magnitude subject to fluctuations—this in no way affects the abstract correctness of their conclusions, since the difference between the value of labour-power and the value it creates does not at all depend on whether the value is assumed to be great or small.

The Physiocrats transferred the inquiry into the origin of surplus-value from the sphere of circulation into the sphere of direct production, and thereby laid the foundation for the analysis of capitalist production. (Marx 1963, 45)

Anne Robert Jacques Turgot, the greatest of Quesnay's followers and the friend and precursor of Adam Smith, is regarded as the first to actually formulate an integral theory of wages.¹² In his *Reflections on the Formation and the Distribution of Riches* (1770), he summed up existing trends in the analysis of wage determination and introduced innovations of his own that reflected the new doctrine of laissez faire, heralded by Quesnay and authenticated by Smith in his similarly titled *Inquiry into the Nature and Causes of the Wealth of Nations*. Turgot writes:

The mere Workman, who has only his arms and his industry, has nothing except in so far as he succeeds in selling his toil to others. He sells it more or less dear; but this price, more or less high as it may be, does not depend upon himself alone: it results from the agreement which he makes with him who pays his labour. The latter pays him as little as he can; as he has the choice among a great number of Workmen, he prefers the one who works cheapest. The Workmen are therefore obliged to lower the price, in competition with one another. In every kind of work it cannot fail to happen, and as a matter of fact it does happen, that the wages of the workman are limited to what is necessary to procure him his subsistence. (Turgot [1898] 1963, 8)

Turgot draws attention to the fact that the worker is not a mere beast of burden, but is also the owner and seller of a commodity, engaged in an exchange relationship with the capitalist. The worker is, in other words, formally an autonomous agent within the economic structure of society. This is fundamental to the comprehensive theory of wages developed by Smith and of the entire late classical period. However, also present is the suggestion that while this exchange is apparently a contractual agreement freely arrived at between the parties, it is in fact determined by the worker's propertyless status and is therefore a relation of economic coercion.

In keeping with the physiocratic notion of a "fixed minimum," there is also in Turgot an emphasis on the fact that wages are usually reduced to the lowest possible level. Like Quesnay, however, he does not mean by this that they are just sufficient to avoid starvation. He says that, although the competition of workers among themselves reduces wages to "the lowest possible rate," there is included a "kind of superfluity out of which retrenchment can, strictly speaking, be made." This, he adds, is "a necessary element in the usual subsistence of the workmen and their families" (letter to Hume, 1767; cited in Spengler 1942, 284).

In "Letters on the Grain Trade" (1770) he elaborated on this theme:

It is certain that competition, by causing wages to be at a lower level, reduce those of the simple unskilled workers to what is necessary to their subsistence. It should not be thought, however, that this necessity is thus reduced to the essentials for avoiding starvation to such an extent, that nothing remains outside it, which these men may have at their command either to obtain some little luxuries, or, if they are thrifty, to create a little movable fund which becomes their resort in unforeseen cases of sickness, or times of high prices, or unemployment. When the objects of their expenditure increase in price, they first begin to cut down on this little superfluity and the enjoyments it can procure for them. But it is of this type of *luxury* especially, that it can be said that it is *a most necessary thing*; it is essential that there is a little of it, just as it is necessary that there is *some play* in every machine. . . . [If the proprietors resisted an increase in wages to the natural proportion,] population would diminish up to the point where the decrease in the number of workers, by curtailing their competition, enables them to lay down the law and to force the proprietors to raise wages. (Turgot 1977, 168)

Here is the role of population, already defined in Cantillon and an important element in physiocratic thinking, as regulator of the level of wages. If wages are but the price paid for the worker's commodity, the laws of supply and demand are sufficient to explain changes in their level. In fact, following Quesnay, Turgot relies on the concept of a wage fund as a limiting factor in wage determination. With Turgot therefore the free market mechanism is enthroned as paradigm, with wages simply the resultant of the interacting quantities of population, capital, and other elements in the apparatus:

High wages, on the one hand enable wage earners to consume more, and to increase their well-being; on the other hand, this well-being and these high wages offered, encourage population; the fruitfulness of the earth attracts foreigners, multiplies the people; and the increase in people in turn lowers wages through competition, while the number maintains the consumption and its exchange value. The exchange value of the produce, the revenue, the wage rate, the population, are things related to each other by a mutual dependence, which spontaneously reach their equilibrium according to a natural proportion; and this proportion is always maintained when commerce and competition are completely free.

The single practical conclusion that can be drawn from this, is that wage labourers must be *completely free* to work for whom they desire, in order that the employers, by contending for them when they need them, may place a just price on their labour; and that, on the other hand, the employers must be *completely free* to use such men as they deem proper, in order that the local workers may not, by taking advantage of their small number, force them to increase wages above the natural proportion which depends on the stock of wealth, the value of subsistence goods, the amount of work available and the number of workers, but which can never be settled by anything other than competition and freedom. ("Observations on a Paper by Graslin," 1767; Turgot 1977, 127)

NOTES

1. Thus, "nearly all the later mercantilists were antagonistic to the working classes." Whereas the "writers of the century prior to the Civil War, that is, when the middle-class was still struggling for power, were . . . friendly to the work people" (Beer [1938] 1967, 175, 177).

2. Also known as the Statute of Apprentices. "Wage labour," Marx wrote, "is not yet fully posited with the emergence of free labour. The labourers still have a basis in the feudal relations; there are still too few of them, and capital is therefore as yet unable as capital to reduce them to the minimum. Hence the statutory wage regulations. As long as the wages of labour are still regulated by statute, it cannot be said either that capital as capital has subsumed production under itself, or that wage labour has attained the mode of existence adequate to it" (CW29, 121). "The modern history of capital dates from the creation in the 16th century of a . . . world-embracing market" (CW35, 157).

3. Long after the supply of labor had recovered, wage controls remained in place. "With practically insignificant exceptions, all official wage-fixing therefore prescribed maximum wages. Out of every ten interferences with the relationship between employers and employed, at least nine were in the interests of the employers. The authorities penalized workers' associations and strikes, but closed their eyes to corresponding action on the part of the employers. This was true particularly of the French administration, whereas in England, the tendency at that time was to some extent different . . . and even later was never quite as one-sided as in France. But there is no doubt at all that the state everywhere exerted its influence on the side of low wages and unfavourable conditions of work" (Heckscher 1935, vol. 2, 167).

4. "The only approach to a *theory* of wages that can be drawn from [mercantilist] writings consists in the almost universal agreement that the cost of subsistence formed the norm to which the rate of wages ought to be adjusted" (Furniss [1918] 1965, 159).

5. "The mercantilists were led by their obsession with the balance of trade and also, perhaps, by unconscious class sympathies, to deal with questions affecting labor as if laborers were a set of somewhat troublesome tools rather than human beings whose own comfort and happiness were a proper and primary concern for statesmen. The dominant doctrine, in consequence, advocated low wages, as a means of increasing England's competitive strength in foreign trade by lowering the money costs of English products" (Viner [1937] 1975, 56–57).

"There cannot be any doubt, of course, that many declarations in favor of low wages simply and naively voice class interest and are not the result of any attempt at appraising causes and consequences in a scientific spirit. Not only did low-wage opinions fit the social structure and the resulting national spirit of those times, but also whatever low-wage opinions were held were quite freely uttered because the labor interest was not yet a political factor and intellectuals therefore did not side with it. So opinions were held with regard to labor—and voiced without inhibitions—that sometimes recall the opinions held by the Romans with regard to their slaves as voiced, e.g., by Cato" (Schumpeter 1954, 267n).

6. This was similarly expressed by William Petty some years earlier: "It is observed by Clothiers and others, who employ great numbers of poor people, that when Corn is extremely plentiful, that the Labour of the poor is proportionably dear: And scarce to be had at all (so licentious are they who labour only to eat, or rather to drink)" (*Political Arithmetick*, 1690 [written probably 1671–76]; Petty [1899] 1986, 274).

7. Marx, in Engels's *Anti-Dühring*, calls Petty "the founder of modern political economy." In his *Treatise on Taxes and Contributions* (1662) he gave "a perfectly clear and correct analysis of the magnitude of value of commodities. . . . [It] must be measured by EQUAL LABOUR" (CW25, 217–18).

8. "Locke's view is all the more important because it was the classical expression of bourgeois society's ideas of right as against feudal society, and moreover his philosophy served as the basis for all the ideas of the whole of subsequent English political economy" (Marx 1963, 367). The idea that labor was not only the basis of value but the foundation for rights of property was advanced in his *Second Treatise of Government*. This was later used to support the proposition that the worker has a property interest in his or her job, an argument made in defense of the sit-down strikes of the 1930s.

9. This passage is absent from the abridged, 1966 edition of Steuart's *Inquiry*.

10. "Cantillon, from whom Quesnay, Sir James Steuart & A. Smith have largely drawn, already here represents piece wage as simply a modified form of time wage" (CW35, 555n).

11. Approximately one gallon.

12. His "exposition formed for the first time in the history of economic thought a self-contained wage theory" (Wermel 1939, 67).

Chapter 3

Wage Theory in Classical Political Economy

Classical political economy nearly touches the true relation of things, without, however, consciously formulating it. This it cannot do so long as it sticks in its bourgeois skin.

—Marx

The designation of a classical period in the history of political economy originates with Marx, who described it as "beginning with William Petty in Britain and Boisguillebert in France, and ending with Ricardo in Britain and Sismondi in France" (CW29, 292). Although later historians of economics have adopted different definitions of what constitutes the classical period (some placing Marx himself within it), almost all would agree that Adam Smith and David Ricardo represent the apogee of this phase in the development of economic thought. In this chapter we use the term "classical" in Marx's sense, who counterposed it to the "vulgar" political economy that became ascendant with the disintegration of the Ricardian school.¹ Our focus therefore is on the wage theory of Smith and Ricardo, though we shall also consider the important and innovative contributions of John Barton, Robert Torrens, and even George Ramsay (who, for Marx, was post-classical).

In his *Inquiry into the Nature and Causes of the Wealth of Nations*, Adam Smith is widely recognized for providing "the first fully systematic treatment" of labor economics, for being the first to work out "a comprehensive theory of wages" (Schumpeter 1954, 268). Published in 1776, it quickly acquired an authoritative status unique in the history of economics. Though it was in time challenged and superseded in one area or another, it held this preeminent position for three-quarters of a century, until the publication in 1848 of John Stuart Mill's *Principles of Political Economy*. Marx, along with countless others, acknowledged Smith's special place in the history of economics. But though he had much to say on Smith's analysis, he expressed no opinion on his wage theory as such, remarking on it only in so far as it showed his confusion regarding value theory.

"When Adam Smith is explaining the 'natural rate' of wages or the 'natural price' of wages," he wrote, "what guides his investigation? The natural price of the means of subsistence required for the reproduction of labour-power. But by what does he determine the natural price of these means of subsistence? In so far as he determines it at all, he comes back to the correct determination of value, namely, the labour-time required for the production of these means of subsistence. But when he abandons this correct course, he falls into a vicious circle" (Marx 1963, 96). That is because, Marx observed, he "constantly confuses the determination of the value of commodities by the labour time contained in them with the determination of their value by the value of labour" (CW29, 299).²

Following the lines laid down by Turgot, Smith had written:

What are the common wages of labour, depends every where upon the contract usually made between these two parties, whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour.

It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms. The masters, being fewer in number, can combine much more easily; and the law, besides, authorises, or at least does not prohibit their combinations, while it prohibits those of the workmen. We have no acts of parliament against combining to lower the price of work; but many against combining to raise it. In all such disputes the masters can hold out much longer. (Smith 1937, 66)

Smith's sympathy for the claims of the working class and his acerbic comments on the greed of the propertied give his work an appeal not often found in the history of political economy. Indeed, it was his

analysis of the origin of surplus value that provided much of the doctrinal foundation for the early critics of political economy from a proletarian point of view, though his emphasis on the political factor as it affected the labor–capital relationship was also important. Later apologists would link the rate of wages with the "laws of nature," but never with the laws of parliament; yet Smith was clear: "Whenever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are always the masters" (Smith 1937, 142).

As Marx wrote, "Smith explains *surplus-value* in general . . . exclusively from the additional quantity of labour which the labourer gives *over and above* the part of his labour which forms only the equivalent for his wages" (Marx 1963, 89). His discussion of surplus labor thus provided much of the inspiration for the early socialists' demand that the "full produce of labor" should belong to the laborer. According to Smith,

The produce of labour constitutes the natural recompence or wages of labour.

In that original state of things, which precedes both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer. He has neither landlord nor master to share with him. . . .

As soon as land becomes private property, the landlord demands a share of almost all the produce which the labourer can either raise, or collect from it. . . .

It seldom happens that the person who tills the ground has wherewithal to maintain himself till he reaps the harvest. His maintenance is generally advanced to him from the stock of a master, the farmer who employs him, and who would have no interest to employ him, unless he was to share in the produce of his labour. . . .

The produce of almost all other labour is liable to like deduction of profit. In all arts and manufactures the greater part of the workmen stand in need of a master to advance them the materials of their work, and their wages and maintenance till it be compleated. He shares in the produce of their labour, or in the value which it adds to the materials upon which it is bestowed; and in this share consists his profit. (Smith 1937, 64–65)

Much as they drew inspiration from Smith's description of that "original state of things," working people and their representatives who entertained a vision of a socialist future must have chafed at his assumption that "the workmen stand in need of a master." His failure, moreover, to account for the transition from that time when the worker also owned the land or tools and materials of labor to that propertyless state of the modern proletarian is a glaring omission. In all the vast bulk of the *Wealth of Nations*, not once does he refer to the forced uprooting of the rural population by the Enclosure Acts.

There is, wrote Smith, "in every society or neighbourhood an ordinary or average rate both of wages and profit in every different employment of labour and stock." These he called "the natural rates of wages, profit, and rent, at the time and place in which they commonly prevail" (Smith 1937, 55). This "natural rate of wages," dependent on "time and place," corresponds to what Marx called the value of labor power, in that it is the fulcrum against which the actual or market rate of wages moves. In chapter 8, "Of the Wages of Labour," Smith provides a systematic treatment of the forces that determine this market rate and cause it to diverge from the "natural rate."

First and foremost he ascribes the level of wages to the inherent nature of the relationship between "masters and workmen," that is, to the unequal position of the classes. Though workers require more, the socioeconomic weight of the employers, reinforced by legal coercion, keeps wage levels to their minimum. That, however, is a magnitude not precisely set.

But though in disputes with their workmen, masters must generally have the advantage, there is however a certain rate below which it seems impossible to reduce, for any considerable time, the ordinary wages even of the lowest species of labour.

A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more; otherwise it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation. (Smith 1937, 67–68)

This much was already worked out by Cantillon, whom Smith cites, though he deliberately avoided mentioning Steuart's more developed discussion on this theme.

But the main thrust of Smith's analysis is to show the relationship between wage rates and the amount of capital available to employ labor, in other words, a determination of wage levels according to the relations of supply and demand, in which population and capital are the terms of the equation.

There are certain circumstances, however, which sometimes give the labourers an advantage, and enable them to raise their wages considerably above this [minimum]. . . .

When in any country the demand for those who live by wages . . . is continually increasing; when every year furnishes employment for a greater number than had been employed the year before, the workmen have no occasion to combine in order to raise their wages. The scarcity of hands occasions a competition among masters, who bid against one another, in order to get workmen, and thus voluntarily break through the natural combination of masters not to raise wages. . . .

The demand for those who live by wages, it is evident, cannot increase but in proportion to the increase of the funds which are destined for the payment of wages. . . .

The demand for those who live by wages, therefore, necessarily increases with the increase of the revenue and stock of every country. . . .

It is not the actual greatness of national wealth, but its continual increase, which occasions a rise in the wages of labour. (Smith 1937, 68–69)

In keeping with this analysis Smith posits two additional scenarios— stationary and declining amounts of capital, comparing their effects upon the rate of wages. If, he suggests, the wealth of a country is stationary,

There could seldom be any scarcity of hands, nor could the masters be obliged to bid against one another in order to get them. The hands, on the contrary, would, in this case, naturally multiply beyond their employment. There would be a constant scarcity of employment, and the labourers would be obliged to bid against one another in order to get it. If in such a country the wages of labour had ever been more than sufficient to maintain the labourer, and to enable him to bring up a family, the competition of the labourers and the interest of the masters would soon reduce them to this lowest rate which is consistent with common humanity. . . .³

But it would be otherwise in a country where the funds destined for the maintenance of labour were sensibly decaying. Every year the demand for servants and labourers would, in all the different classes of employments, be less than it had been the year before. . . . The lowest class being not only overstocked with its own workmen, but with the overflowings of all the other classes, the competition for employment would be so great in it, as to reduce the wages of labour to the most miserable and scanty subsistence of the labourer. Many would not be able to find employment even upon these hard terms, but would either starve, or be driven to seek a subsistence either by begging, or by the perpetration perhaps of the greatest enormities. (Smith 1937, 71, 73)

Want, famine, and mortality would then reduce the population to a number supportable by the capital of society and a new equilibrium would be reached. If this gloomy picture resembles the grim world of Thomas Robert Malthus, Smith's sympathy for the poor and his sincere aversion to such a social condition contrast sharply with the spirit of *An Essay on the Principle of Population*. His well-known words bear repeating:

No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged. (Smith 1937, 79)

Marx has pointed out the inner contradictions that characterize much of Smith's analysis, in which

opposing explanations are given for various phenomena.⁴ This has invited some false, one-sided interpretations. Regarding his wage theory, for instance, it has been said that he demonstrated a "rejection of all the versions of the subsistence theory of wages [and this] has not received the attention it deserves" (Bowley 1973, 189). The laws of supply and demand are said to be the only determinants of wage rates that Smith recognizes. It is true that in the *Wealth of Nations* he says that wages "are not regulated by what is necessary for [the maintenance of a family]; but by the quantity and supposed value of the work" (Smith 1937, 74). He even declares that "the variations in the price of labour not only do not correspond either in place or time with those in the price of provisions, but they are frequently quite opposite" (Smith 1937, 75). However, such statements must be considered in the full context of his analysis. He also wrote:

Though the variations in the price of labour, not only do not always correspond with those in the price of provisions, but are frequently quite opposite, we must not, upon this account, imagine that the price of provisions has no influence upon that of labour. The money price of labour is necessarily regulated by two circumstances; the demand for labour, and the price of the necessities and conveniences of life. (Smith 1937, 85)

Smith's importance in the development of wage theory—and this may also be said of his general significance for the history of political economy—is that he summed up and systematically presented in an authoritative way the achievements of economic analysis up to his own time, providing a well-defined and mapped-out area for later investigators. That is not to say that he did not in the process also contribute to the development of many economic ideas, but rather that his greatest role was the part he played in relation to those who went before and to those who came after him. He served as a kind of prism, concentrating and directing what had been a scattered body of ideas into the beginnings of a coherent doctrine.

His sympathy for the working class and his readiness to puncture the pretensions of the wealthy formed a legacy that went largely unclaimed, especially after political economy enlisted in the campaign to clip the wings of a nascent trade union movement. Though hailed as the apostle of a free market, with which protective legislation and safeguarding the rights of collective bargaining for working people were deemed incompatible, Smith showed a sensitivity to the realities of wage labor in capitalist society that belies this.

In reality high profits tend much more to raise the price of work than high wages. . . . Our merchants and master-manufacturers complain much of the bad effects of high wages in raising the price, and thereby lessening the sale of their goods both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people. (Smith 1937, 97–98)

Whenever the law has attempted to regulate the wages of workmen it has always been rather to lower them than to raise them. (Smith 1937, 131)

When masters combine together in order to reduce the wages of their workmen, they commonly enter into a private bond or agreement not to give more than a certain wage under a certain penalty. Were the workmen to enter into a contrary combination of the same kind, not to accept of a certain wage under a certain penalty, the law would punish them very severely; and if it dealt impartially, it would treat the masters in the same manner. (Smith 1937, 142)

"With the possible exception of Karl Marx," wrote Mark Blaug, "no great economist of the past has received so many divergent and even contradictory interpretations as David Ricardo" (Caravale 1985, 3). Schumpeter observed almost fifty years ago that the "literature on Ricardo is immense" (Schumpeter 1954, 471), his wage theory especially being the focus of considerable debate.⁵ The traditional, "fix-wage" interpretation identifies Ricardo with the "iron law of wages," while the "new view" more correctly finds room in his analysis for increases in real wages.

It has been said that "Marx's warm praise for Ricardo did not enhance Ricardo's reputation with

academic economists" (Blaug 1962, 127). But this tells only part of the story. Ricardo has been blamed for *producing* Marx and even for inciting the class struggle himself.⁶ Marx acknowledged that his own "theory of value, of money and of capital" was "in its fundamentals a necessary sequel to the teaching of Smith and Ricardo" (CW35, 17).⁷ He described Ricardo's analysis of the capitalist economic system as carried out with great "theoretical acumen," saying that he gave "to classical political economy its final shape" (CW29, 300, 301).

The basis, the starting-point for the physiology of the bourgeois system—for the understanding of its internal organic coherence and life process—is the determination of *value by labour-time*. . . . This then is Ricardo's great historical significance for science. . . . Closely bound up with this scientific merit is the fact that Ricardo exposes and describes the economic contradiction between the classes—as shown by the intrinsic relations—and that consequently political economy perceives, discovers the root of the historical struggle and development.⁸ (Marx 1968, 166)

Ricardo first published his *Principles of Political Economy and Taxation* in 1817; a third edition, the last to appear in his lifetime, came out in 1821. No major treatises had appeared since Smith's *Wealth of Nations*. "The only investigations that were made in the period between Smith and Ricardo were ones of detail, on productive and unproductive labour, finance, theory of population, landed property and taxes" (Marx 1968, 165). Ricardo saw the contradictions in Smith's discussion of value and, for the first time in the history of political economy, made a logically coherent definition of value the foundation of his analysis. "The value of a commodity," he wrote, "or the quantity of any other commodity for which it will exchange, depends on the relative quantity of labour which is necessary for its production, and not on the greater or less compensation which is paid for that labour" (Ricardo 1951a, 11).⁹ Though this had been spelled out earlier by Locke, Petty, Franklin, and others, Ricardo's careful and consistent application of the law of value was a watershed in the history of economics. Ultimately, however, his analysis failed, striking the rock of value theory that he himself created.¹⁰ It was, in fact, in the area of wage theory that his system broke down.

Stating that the produce of society is divided among the three main classes of landlords, capitalists, and workers, he declared it "the principal problem in Political Economy" to "determine the laws which regulate this distribution" (Ricardo 1951a, 5). The law of value, in his analysis, was the key to solving this problem. And though he brought economic thought to its then-most-developed point, he was never able to explain the apparent failure of this law to fully account for the amount of wages. Ricardo (and all of political economy) was stymied by the problem of the discrepancy between the value produced *by* labor and the value *of* labor, or the sum of wages given in exchange for it. The inability to unravel the secret of surplus value left the Ricardian system at an impasse.¹¹

In the chapter "On Wages" in his *Principles of Political Economy and Taxation* Ricardo begins with Smith's distinction between the natural and market rates of wages and the fundamental laws governing their movement:

Labour, like all other things which are purchased and sold, and which may be increased or diminished in quantity, has its natural and its market price. The natural price of labour is that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution. . . .

The natural price of labour, therefore, depends on the price of food, necessities, and conveniences required for the support of the labourer and his family. With a rise in the price of food and necessities, the natural price of labour will rise; with the fall in their price, the natural price of labour will fall. (Ricardo 1951a, 93)

Here is a seemingly straightforward application of the law of value: an increase in the cost of commodities that enter into the production of laborers causes a corresponding increase in the value or "natural price" of labor. But this analysis must be modified by the special nature of labor power, as a product of history and society, and by the laws of the market, that is, by the effects of the relation between supply and demand.

First, taking note of the emphasis that Torrens placed on the historically relative nature of subsistence, Ricardo observes that the requisite amount of food and other necessities cannot be established absolutely or from a purely physical point of view.

It is not to be understood that the natural price of labour, estimated even in food and necessities, is absolutely fixed and constant. It varies at different times in the same country, and very materially differs in different countries. It essentially depends on the habits and customs of the people. . . . Many of the conveniences now enjoyed in an English cottage, would have been thought luxuries at an earlier period of our history. (Ricardo 1951a, 96–97)

The determination of the market or actual rate of wages, on the other hand, is the effect of the mutual relations of supply and demand, in reference to the varying amounts of labor and capital seeking employment. As in Smith and Turgot, population emerges as a central category, identified as the regulating principle of wage levels and therefore a prime indicator of the wealth and prosperity of the nation.

The market price of labour is the price which is really paid for it, from the natural operation of the proportion of the supply to the demand; labour is dear when it is scarce, and cheap when it is plentiful. However much the market price of labour may deviate from its natural price, it has, like commodities, a tendency to conform to it.

It is when the market price of labour exceeds its natural price, that the condition of the labourer is flourishing and happy, that he has it in his power to command a greater proportion of the necessities and enjoyments of life, and therefore to rear a healthy and numerous family. When, however, by the encouragement which high wages give to the increase of population, the number of labourers is increased, wages again fall to their natural price, and indeed from a re-action sometimes fall below it.

When the market price of labour is below its natural price, the condition of the labourers is most wretched: then poverty deprives them of those comforts which custom renders absolute necessities. It is only after their privations have reduced their number, or the demand for labour has increased, that the market price of labour will rise to its natural price, and that the labourer will have the moderate comforts which the natural rate of wages will afford.

Notwithstanding the tendency of wages to conform to their natural rate, their market rate may, in an improving society, for an indefinite period, be constantly above it; for no sooner may the impulse, which an increased capital gives to a new demand for labour be obeyed, than another increase of capital may produce the same effect; and thus, if the increase of capital be gradual and constant, the demand for labour may give a continued stimulus to an increase of people. (Ricardo 1951a, 94–95)

One of the more interesting elements in Ricardo's analysis, highly regarded by Marx though attacked by other economists, is the notion that the wages received by working people ought to be estimated according to their value, that is, according to the amount of labor entering into their production, rather than according to the sum of tangible goods or services that they procure.¹² This results, he thought, in a truer picture of the relative distribution of society's produce.

It is according to the division of the whole produce of the land of any particular farm, between the three classes of landlord, capitalist, and labourer, that we are to judge of the rise or fall of rent, profit, and wages, and not according to the value at which that produce may be esteemed in a medium which is confessedly variable.

It is not by the absolute quantity of produce obtained by either class, that we can correctly judge of the rate of profit, rent, and wages, but by the quantity of labour required to obtain that produce. By improvements in machinery and agriculture, the whole produce may be doubled; but if wages, rent, and profit be also doubled, these three will bear the same proportions to one another as before, and neither could be said to have relatively varied. But if wages partook not of the whole of this increase; if they, instead of being doubled, were only increased one-half; if rent, instead of being doubled, were only increased three-fourths, and the remaining increase went to profit, it would, I apprehend, be correct for me

to say, that rent and wages had fallen while profits had risen. . . . Wages are to be estimated by their real value, viz. by the quantity of labour and capital employed in producing them, and not by their nominal value either in coats, hats, money, or corn. . . . If then in this medium, which had not varied in value, the wages of the labourer should be found to have fallen, it will not the less be a real fall, because they might furnish him with a greater quantity of cheap commodities than his former wages. (Ricardo 1951a, 50)

Thus, "an increase of the labourer's real comforts was not considered by him as a rise of wages" (Mill [1874] 1974, 95). Marx's reflections on this aspect of Ricardo's analysis give us greater insight into an important part of his own wage theory—how the value of labor power can fall while the worker's material living standards improve:

The value of wages has to be reckoned not according to the quantity of the means of subsistence received by the worker, but according to the quantity of labour which these means of subsistence cost (in fact the proportion of the working-day which he appropriates for himself), that is, according to the *relative share* of the total product, or rather of the total value of this product, which the worker receives. It is possible that, reckoned in terms of use-values (quantity of commodities or money), his wages rise as productivity increases and yet the value of the wages may fall and vice versa. It is one of Ricardo's great merits that he examined relative or proportionate wages, and established them as a definite category. Up to this time, wages had always been regarded as something simple and consequently the worker was considered an animal. But here he is considered in his social relationships. *The position of the classes to one another depends more on relative wages than on the absolute amount of wages.* (Marx 1968, 419; emphasis added)

In the third edition of his *Principles of Political Economy and Taxation* (1821) Ricardo added a chapter "On Machinery" that greatly affected his analysis of wages and that stated a new doctrine of capital accumulation, first proposed by Barton, which became fundamental to Marx's own theory. This celebrated chapter, in which Ricardo acknowledged and corrected his previously mistaken analysis of machinery's effects on the condition of workers, "bears witness to his *honesty* which so essentially distinguishes him from the vulgar economists" (Marx 1968, 555). He wrote:

Ever since I first turned my attention to questions of political economy, I have been of opinion, that such an application of machinery to any branch of production, as should have the effect of saving labour, was a general good, accompanied only with that portion of inconvenience which in most cases attends the removal of capital and labour from one employment to another. . . . The class of labourers also, I thought, was equally benefitted by the use of machinery, as they would have the means of buying more commodities with the same money wages, and I thought that no reduction of wages would take place, because the capitalist would have the power of demanding and employing the same quantity of labour as before, although he might be under the necessity of employing it in the production of a new, or at any rate a different commodity. . . . As then, it appeared to me that there would be the same demand for labour as before, and that wages would be no lower, I thought that the labouring class would, equally with the other classes, participate in the advantage, from the general cheapness of commodities arising from the use of machinery.

These were my opinions, and they continue unaltered, as far as regards the landlord and the capitalist; but I am convinced, that the substitution of machinery for human labour, is often very injurious to the interests of the class of labourers. (Ricardo 1951a, 386–88)

What had happened to cause him to change his views? In 1817, the same year as the publication of his *Principles of Political Economy and Taxation*, John Barton published his *Observations on the Circumstances which Influence the Condition of the Labouring Classes of Society*, showing that the introduction of machinery has an effect on the demand for labor contrary to that asserted by orthodox opinion. According to Barton, "It is an opinion received among political economists, that the demand for labour in all countries is measured by the national wealth,—that on the more or less rapid increase of this

wealth depends the ordinary rate of wages,—and that the rate of wages regulates the progress of population" (Barton [1817] 1934, 9). This of course was the view put forth in the *Wealth of Nations* and which was universally subscribed to. Barton, however, disagreed:

The demand for labour depends then on the increasing of circulating, and not of fixed capital. Were it true that the proportion between these two sorts of capital is the same at all times, and in all countries, then indeed it follows that the number of labourers employed is in proportion to the wealth of the State. But such a position has not the semblance of probability. As arts are cultivated, and civilization is extended, fixed capital bears a larger and larger proportion to circulating capital. (Barton [1817] 1934, 17)

Related to this argument, Barton proposed that the allocation of capital, whether it is used to purchase new machinery or hire additional labor, is a decision that the capitalist makes with the purpose in mind of achieving the higher rate of profit. It is, in other words, a deliberate act taken by each individual capitalist. Framing the question in this way, Barton exposed the fallacy of the wage-fund doctrine essentially in the same form employed by J. S. Mill when he repudiated it more than fifty years later. According to Barton,

It is the proportion which the wages of labour at any particular time bear to the whole produce of that labour, which appears to me to determine the appropriation of capital in one way or another. For if at any time the rate of wages should decline, while the price of goods remained the same, or if goods should rise, while wages remained the same, the profit of the employer would increase, and he would be induced to hire more hands. If, on the other hand, wages should rise, in proportion to commodities, the labourer's share in the produce of his own industry would be increased at the expence of his master, who would of course keep as few hands as possible.—He would aim at performing every thing by machinery, rather than by manual labour. (Barton [1817] 1934, 18)

In fact, Barton's whole critique of the traditional view of the relationship among capital, population, and wages was itself an argument against the Malthusian wage-fund doctrine, which was no more than a dogmatized version of the Smithian model. As Marx said:

Barton was the first to point out that the different organic component parts of capital do not grow evenly with accumulation and development of the productive forces, that on the contrary in the process of this growth, that part of capital which resolves into wages decreases in proportion to that part (he calls it fixed capital) which in relation to its size, alters the demand for labour only to a very small degree. He is therefore the first to put forward the important proposition "that the number of labourers employed is" *not* "in proportion to the wealth of the state," that relatively more workers are employed in an industrially undeveloped country than in one which is industrially developed. (Marx 1968, 577)

The conclusion that Ricardo drew from Barton's analysis was that, as a result of the introduction of machinery, "there will necessarily be a diminution in the demand for labour, population will become redundant, and the situation of the labouring classes will be that of distress and poverty." He acknowledges, therefore, that "the opinion entertained by the labouring class, that the employment of machinery is frequently detrimental to their interests, is not founded on prejudice and error, but is conformable to the correct principles of political economy" (Ricardo 1951a, 390, 392).

Ricardo thus "makes an advance" over Barton, Marx observes, "and this is important":

[U]nlike Barton, he not only says that the demand for labour does *not* grow *proportionally* with the development of machinery, but that the machines themselves "*render the population redundant*," i.e., create surplus population. . . . Essentially . . . the whole of the absurd theory of population was thus overthrown, in particular also the claptrap of the vulgar economists, that the workers must strive to keep their multiplication below the standard of the accumulation of capital. The opposite follows from Barton's and Ricardo's presentation, namely that to keep down the labouring population, thus diminishing the supply of labour, and, consequently, raising its price, would only *accelerate* the application of machinery, the conversion of circulating into fixed capital, and, hence, make the population artificially "redundant";

redundancy exists, generally, not in regard to the quantity of the means of subsistence, but the means of employment, the actual demand for labour. (Marx 1968, 578)

Marx finds much in Ricardo's wage theory correct. His main criticism was Ricardo's failure to distinguish between "labor" and "labor power." If he had arrived at the concept of "labor power," as Marx had, "*capital* would also have been revealed as the material conditions of labour, confronting the labourer as power that had acquired an independent existence and capital would at once have been revealed as a *definite social relationship*" (Marx 1968, 400). Apart from this, however, Marx still regarded the Ricardian analysis to be inadequate:

[B]y not *directly* showing that one *part* of the labourer's *working-day* is assigned to the reproduction of the value of his own labour-power, he introduces a difficulty and obscures the clear understanding of the relationship. A twofold confusion arises from this. The *origin of surplus-value* does not become clear. . . .

For him it is a fact, that the value of the product is greater than the value of the wages. How this fact arises, remains unclear. The total working-day is *greater* than that part of the working-day which is required for the production of the wages. Why? That does not emerge. The *magnitude of the total working-day* is therefore wrongly assumed to be *fixed*, and directly entails wrong conclusions. The increase or decrease in surplus-value can therefore be explained *only* from the growing or diminishing productivity of social labour which produces the means of subsistence. That is to say, only relative surplus-value is understood. . . .

Furthermore, it is clear that though the existence of *surplus-labour* presupposes that the productivity of labour has reached a certain level, the mere *possibility* of this surplus-labour (i.e., the existence of that necessary minimum productivity of labour), does not in itself make it a *reality*. For this to occur, the labourer must first be *compelled* to work in excess of the [necessary] time, and this compulsion is exerted by capital. This is missing in Ricardo's work, and therefore also the whole struggle over the regulation of the normal working-day. (Marx 1968, 405–6)

In 1815, two years before Ricardo's *Principles of Political Economy and Taxation* appeared, Robert Torrens published his *Essay on the External Corn Trade*. Torrens displayed in this early work a special interest in wage theory and an appreciation for some of its finer points, to be followed up over the next twenty years in various later publications. Although neglected by historians of economics, his "contribution to wage theory involved, for good or for bad, substantial innovations on anything which had been done by his predecessors" (Robbins 1958, 51). "Well worked out," was Marx's comment on Torrens's treatment of the value of labor power in his *Essay on the External Corn Trade* (CW34, 315).

The extent to which Ricardo derived his analysis from Torrens may be seen by comparing it with the latter's *Essay*.¹³ "In the first place," wrote Torrens, "there is everywhere a general and ordinary rate of wages, which is determined by the circumstances and habits of the country, and which it is found difficult permanently to alter" (*Essay on the External Corn Trade*, 1815; cited in Cannan [1917] 1967, 191). He then proceeds to restate the Smithian analysis, in which labor is regarded as "a commodity in the market," with "its market price and its natural price." The market price is governed by the relations of supply and demand, while "its natural price is governed by other laws, and consists in such a quantity of the necessities and comforts of life, as from the nature of the climate and the habits of the country are necessary to support the labourer, and to enable him to rear such a family as may preserve in the market an undiminished supply of labour" (*Essay on the External Corn Trade*, 1815; cited in Cannan [1917] 1967, 192). Without departing from Smith's model, and while showing the influence of Malthus's *Essay on Population*, Torrens brings to this discussion a shift in focus, highlighting the effect of the "habits" of the working class on wages.

While the natural price of labour is thus steady, its market price . . . fluctuates perpetually according to the proportion between supply and demand. The price which labour fetches in the market may often be considerably more and often considerably less, than that which the climate and habits of living is necessary to maintain the labourer and his family. But notwithstanding these occasional variations, the

natural and the market price of labour have a mutual influence on each other, and cannot long be separated. When the market price falls below the other, the labourer no longer obtaining the quantity of necessaries which climate and habit render necessary to the healthful existence of himself and family, deaths are increased; while the increasing difficulty of maintaining a family, increasing the prudential check on marriage, births are diminished; and thus, by a double operation, the level between the natural and the market price is restored. On the other hand, if the market price should at any time be raised above the natural, the increased comforts enjoyed by the labourer and his family would diminish deaths, and by giving encouragement to marriage, increase births, until by a double operation, the supply of labour was augmented and its market price brought back to that natural level from which it can never permanently recede. (*Essay on the External Corn Trade*, 1815; cited in Cannan [1917] 1967, 193)

Torrens later revised his *Essay*, deleting most of this discussion, and in the fifth edition of 1829 added "An Appendix on the Means of Improving the Condition of the Labouring Classes," where he restated his previous treatment of wages. This text was subsequently published separately as *Colonel Torrens on the Wages of Labour and on the Means of Improving the Condition of the Labouring Classes* (1832) and later incorporated as chapter 1 into his more widely known *On Wages and Combination* (1834). To some extent, he lends support in this work to the crude wage-fund theory, which had by that time become the dominant doctrine. He follows the traditional supply-and-demand analysis, unmodified by Barton's and Ricardo's treatment of the machinery question, in which the Malthusian emphasis on the birth rate is incorporated:

[T]he important power of increasing, or of diminishing, the reward of labour, is, by the essential order of society, placed in the hands of the labourers themselves. . . . [I]t depends upon the labouring classes themselves whether wages shall ascend to the ultimate maximum, or sink to the extreme minimum. By duly regulating their number, in relation to the extent and fertility of the soil, they enlarge the range of maximum wages; and by regulating their numbers, in relation to the component parts of capital employed, they cause actual wages to ascend to their ultimate maximum. (Torrens [1834] 1969, 26)

On the other hand, he displays a sincere concern for the condition of working people, combined with an unprejudiced view of the potential effects of trade unions:

The labouring classes form the great majority of every community, and . . . a country must be considered as happy or miserable, in proportion as those classes are abundantly or scantily supplied with the necessaries and comforts of life. From this principle it necessarily follows, that combinations for lowering wages, could they be effectual, must be regarded as conspiracies for increasing human misery; and that combinations for raising wages, could they be effectual, must be approved as associations for the promotion of human happiness. *In the whole compass of economical science, the most important practical question is this, namely, can combinations, amongst the labouring classes, effect a permanent increase of wages?* (Torrens [1834] 1969, 57; emphasis added)

Torrens's search for an answer to this problem took him beyond the dogmatism of the wage fund, and was one of the very few such inquiries, before Marx took up the question, to find any economic justification for trade unionism.¹⁴

Torrens links the question of wages with the place of exports in the economy, though inverting the traditional mercantilist formula. Rather than simply seeing high wages stifling the export of goods, he suggests that the eventual outcome will be that manufacture for export will relocate abroad, where wages are lower and higher profits can be maintained. Manufacturing industry, he writes, "will establish, and extend itself, in those countries in which manufacturing capital obtains a high comparative reward; and will partly be driven, and partly retire of its own accord, from those districts in which manufacturing profits are comparatively low" (Torrens [1834] 1969, 72). The result will be, therefore:

[I]n a country exporting manufactured goods, an effectual combination for increasing wages, which should

have the effect of lowering the rate of profit below the rate obtained in other manufacturing countries, must ultimately terminate, not in an advance, but in a reduction of wages. (Torrens [1834] 1969, 73)

However, he adds, the converse is also true. "In a country not depending upon foreign markets, Combinations may raise Wages to their maximum, provided the supply of labour do not increase" (Torrens [1834] 1969, 57). In view of the legal liabilities to which labor was exposed and the consequent difficulties in carrying out effective action that would make negotiations with employers over wages meaningful, the role of population and its effects on workers' bargaining power was very real. The repeal of the Combination Acts in 1824 did not at all relieve labor unions from the threat of police-protected strike breaking. Though Torrens neglected the role of technological development as the cause of overpopulation, he correctly connected the ineffectiveness of trade unions with the growth of unemployment:

In a country growing its own supplies of raw produce, not exporting manufactured goods, and therefore not exposed to foreign competition, a combination for raising wages can be maintained only when accompanied by an auxiliary combination amongst the labouring classes, for preventing the increase of their numbers. (Torrens [1834] 1969, 59)

More to the point, however, is the case, such as England's, where the country in question enjoys a favorable position in the world market, as would result from superior or more advanced manufacturing processes.

Now, should the particular country in which the compulsory rise of wages took place, possess an advantage over other manufacturing countries, in supplying the articles demanded in the foreign market, this particular country might pay high comparative wages, and yet retain its superiority with respect to foreign trade, provided the disadvantage created by the high wages, were less than the advantage arising from other causes. . . . Nor would such a rise in the reward of labour be injurious to the employers of labour. (Torrens [1834] 1969, 75–76)

Torrens concluded that in this situation trade unions could secure higher wages:

In a country possessing superiority in supplying goods for the foreign market, a combination, could it be formed and maintained, might effect an advance of wages, within the limits of that superiority, provided the number of hands seeking for employment, did not increase in a greater proportion than the quantity of work to be performed. (Torrens [1834] 1969, 80)

This statement, though hedged with qualifiers, remains for its time a rare acknowledgment of the economic possibilities of trade unionism.

George Ramsay has also been neglected by historians of economics, even going unmentioned in most of the standard histories. Schumpeter thought that the "only author who ever did justice to Ramsay is Marx" (Schumpeter 1954, 488), who discussed him in his *Economic Manuscript of 1861–63*, at a time when Ramsay had already been forgotten. His *Essay on the Distribution of Wealth* (1836) is significant in several areas relating to wage theory, including the limitation of the hours of labor and legal restraints on the use of child labor.

While accepting the basic premise of political economy that the level of wages was a result of the supply-and-demand relation between capital and population, Ramsay substantially qualified this analysis. He adopted the formula associated with Torrens, which stated that the level of wages is determined in part by "the style of living rendered necessary by the nature of the climate, or considered by opinion as necessary to the existence of the labouring population" (Ramsay 1836, 86). He also built on the Barton-Ricardo model of diminishing demand for labor as capital accumulation proceeds:

The first effect, then, of the [substitution of machinery] will be a falling off in the demand for labour, and a consequent decline in the rate of wages. . . .

This is sufficient to show that capital may augment without any benefit whatsoever thereby accruing to the working classes, nay, rather with a temporary injury from the previous fall in wages. . . .

In countries where industry has much advanced, fixed capital comes gradually to bear a greater and greater proportion to circulating. . . .

[T]he primary effect at all events of such a transformation, is to diminish the demand for labour. (Ramsay 1836, 90–91)

Marx, paraphrasing Ramsay's analysis, contrasted it to Smith's model of accumulation:

With the advance of society (i.e., of capitalist production) the fixed portion of capital increases at the expense of the circulating capital, i.e., that laid out in labour. Therefore the demand for labour declines *relatively* as wealth increases or capital is accumulated. . . . The general result is . . . [that] the condition of the workers . . . *worsens* relatively in the same ratio as the general wealth increases, i.e., as capital is accumulated. . . . One can see that it is a far cry from this conclusion to the naïve conceptions of Adam Smith or the apologetics of vulgar political economy. For Adam Smith, the accumulation of capital is identical with growing demand for labour, continual rise of wages. (Marx 1971, 335)

Having shown that the demand for labor is not as simple as either Smith or the ideologues proposed, Ramsay goes further, demonstrating that the supply of labor is also not so simple, that it "is made up of two elements; first, the total number of the labouring population; secondly, the number of days in the year, and of hours in the day, during which it is customary to work." From this, he arrives at the following:

If we suppose the demand for labour, and consequently the funds for its support, to remain constant, every variation in the number of workmen, or in the length of time throughout the year or day which they may give to toil, will cause an inverse change in the rate of wages. (Ramsay 1836, 95)

Ramsay concludes that the condition of working people depends not only on the limitation of their numbers but also of their hours of work.

If this be so [that shorter hours tend toward higher wages], we cannot regard with too much jealousy any encroachment upon the hours or days of repose afforded to the working classes. And even were it otherwise, so great are the advantages, religious, moral, and intellectual, arising from leisure, that periods of this kind cannot be too highly prized. The very circumstance of a change from time to time in our accustomed occupations and trains of thinking, is of immense importance to the human understanding. And if this be true in all states of society, it is peculiarly so where division of labour has been carried to a great extent. . . . The man, the most part of whose life is spent fixing the twentieth part of a pin, if debarred from periods of leisure can scarcely escape imbecility. . . . It is surely more conducive to the happiness of the labouring class . . . that they should afford to be idle, or amuse themselves during a considerable portion of the year, than that they should be obliged to toil incessantly even from tender years for twelve or fifteen hours a-day, perhaps in [oppressive, unhealthy conditions]. . . . Those who think that an increase in the mass of national wealth cannot be too highly purchased, are apt to regard with displeasure these periods of recreation, and to consider them as just so much time thrown away. But in the eye of the philosopher, the mode in which riches are distributed, and the degree of labour which it costs the poorer classes to earn their share of them, are matters of at least as much importance as their total amount.

The cupidity of master-capitalists, the necessities of those they employ, and the practice of paying by the piece, have a constant tendency to extend the number of working hours, and thus by augmenting the supply of labour, to lessen its remuneration. And here I must make a remark of considerable weight, but which I do not remember to have seen previously stated, that the increase of fixed capital tends to the above result. For where so great a value is lodged in machinery, buildings, &c. the manufacturer is strongly tempted not to let so much stock lie idle, and therefore will employ no workmen who will not

engage to remain for many hours during the day. (Ramsay 1836, 100–102)

Ramsay's plea for the legal restriction of child labor, though not unheard of, was rare among economists of his era. While he argues from a humanitarian viewpoint, his analysis of wage levels in relation to the supply of labor is also relevant here. He writes:

As children generally abound in the neighbourhood of manufactories, and as, moreover, they are not free agents, but are obliged to work by parents rendered hard-hearted by indigence and desire of gain, who are glad to make any thing by them, the labour of these young creatures is often paid at an inconceivably low rate.¹⁵ The abuse of infant labour is one which calls loudly for the interference of the legislature. Though the government of any country should be very shy of intermeddling between the workman and his employer . . . yet in this case there are circumstances which justify a departure from the general rule. The principle of these is, that a child is not a free agent. (Ramsay 1836, 102–3)

The influence of this discussion on Marx may be seen in the latter's "Instructions for the Delegates of the Provisional General Council," written in August 1866 in preparation for the Geneva Congress of the International Workingmen's Association:

The *right* of children and juvenile persons must be vindicated. They are unable to act for themselves. It is, therefore, the duty of society to act on their behalf. . . .

The working man is no free agent. In too many cases, he is even too ignorant to understand the true interest of his child, or the normal conditions of human development. However, the more enlightened part of the working class fully understands that the future of its class, and, therefore, of mankind, altogether depends upon the formation of the rising working generation. They know that, before everything else, the children and juvenile workers must be saved from the crushing effects of the present system. (cited in Lapides 1987, 96–97)

NOTES

1. "Once for all I may here state, that by classical political economy, I understand that economy which, since the time of W. Petty, has investigated the real relations of production in bourgeois society, in contradistinction to vulgar economy, which deals with appearances only, ruminates without ceasing on the materials long since provided by scientific economy, and there seeks plausible explanations of the most obtrusive phenomena, for bourgeois daily use, but for the rest, confines itself to systematising in a pedantic way, and proclaiming for everlasting truths, the trite ideas held by the self-complacent bourgeoisie with regard to their own world, to them the best of all possible worlds" (CW35, 92n). See also Marx 1971, 500–501.

2. Marx excused Smith's contradictory definitions of value as "quite natural in a writer who is laying the foundations of political economy and is necessarily feeling his way, experimenting and struggling with a chaos of ideas which are only just taking shape" (CW25, 219).

3. There are differing interpretations of the phrase "consistent with common humanity." Most take it to mean a wage level set by humanitarian sentiments; though others say it "merely means physiologically consistent with the survival of human beings at a rate to maintain the supply of labour constant" (Bowley 1973, 189n). But this latter interpretation is unlikely to have been what Smith meant to imply. He also stated, "By necessities I understand, not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without" (Smith 1937, 821).

4. "Smith himself moves with great naiveté in a perpetual contradiction. On the one hand he traces the intrinsic connection existing between economic categories or the obscure structure of the bourgeois economic system. On the other, he simultaneously sets forth the connection as it appears in the phenomena of competition and thus as it presents itself to the unscientific observer just as to him who is actually involved and interested in the process of bourgeois production. One of these conceptions fathoms the inner

connection, the physiology, so to speak, of the bourgeois system, whereas the other takes the external phenomena of life, as they seem and appear and merely describes, catalogues, recounts and arranges them under formal definitions. With Smith both these methods of approach not only merrily run alongside one another, but also intermingle and constantly contradict one another" (Marx 1968, 165).

5. "One of the most controversial points in the interpretation of Ricardo," according to Annalisa Rosselli, "concerns his wage theory" (Caravale 1985, 239).

6. Marx pointed out that American economist Henry Carey had argued that "the theorems of Ricardo and others, in which existing social antagonisms and contradictions are formulated, are not the ideal product of the real economic movement, but on the contrary, that the real antagonisms of capitalist production in England and elsewhere are the result of the theories of Ricardo and others!" (CW35, 562).

7. When Paul Lafargue wrote a piece for the Social Democratic press on the relation of Marx's doctrine to political economy, Engels remarked on one error. "In the first place," he said, "no one among the German economists has ever accused Marx of having put forward theories unrelated to those of Smith and Ricardo. On the contrary. They blame Smith and Ricardo for having produced Marx, who is supposed to have done no more than draw conclusions from his forerunners' theory of value, profit and rent, and the division of the end product of labour" (Engels and Lafargue 1959–60, vol. 3, 37).

8. Thus he said that "almost all the socialists in [England] have, at different periods, proposed the equalitarian application of the Ricardian theory" (CW6, 138).

9. Ricardo's notion of value (and thus Marx's) has been criticized for neglecting the differing degrees of skill or qualification of labor. However, he did address this issue, as did Marx. "In speaking . . . of labour, as being the foundation of all value, and the relative quantity of labour as almost exclusively determining the relative value of commodities, I must not be supposed to be inattentive to the different qualities of labour, and the difficulty of comparing an hour's or a day's labour, in one employment, with the same duration of labour in another. The estimation in which the different qualities of labour are held, comes soon to be adjusted in the market with sufficient precision for all practical purposes, and depends much on the comparative skill of the labourer, and intensity of the labour performed" (Ricardo 1951a, 20).

10. "In the concept of value," Marx wrote in the *Grundrisse*, "the secret of capital is betrayed" (CW29, 160). That secret, of course, is the extraction of surplus value, derived from the worker's forced surrender of unpaid labor time.

11. As Marx explained in *Theories of Surplus-Value*, "The question is just why *labour* and the *commodities against which it is exchanged*, do not exchange according to the law of value, i.e., according to the relative quantities of labour. Posed in this way, *presupposing the law of value*, the question is intrinsically insoluble, because *labour* as such is counterposed to *commodity*, a definite quantity of materialised labour. This weakness in Ricardo's discourse . . . has contributed to the disintegration of his school, and led to the proposition of absurd hypotheses" (Marx 1968, 398).

12. "The concept of *relative wages* is one of Ricardo's greatest contributions. . . . This is important economically, in fact it is only another way of expressing the real theory of surplus-value. It is important further in regard to the social relationship between the two classes" (Marx 1971, 33–34).

13. Ricardo acknowledged Torrens's prior contribution on the historical and social determinants of wages, adding a footnote to the second edition of the *Principles*, but only after Torrens complained that his discussion was borrowed without attribution.

14. "This work . . . has certainly not received the attention it deserves as the most systematic attempt by a Classical economist to examine the limits within which the power of combination to raise wages may be effective. . . . From the point of view of the historian of theory, the interest of his work lies, not merely in its obvious sympathy with the cause of higher wages, but rather in the analysis of the circumstances in which attempts on the part of combinations to achieve this end may be successful and the circumstances in which they will break down" (Robbins 1958, 49).

15. "From two-thirds to three-quarters of the workers in the early factories were under the age of eighteen; and they were lucky if they earned a halfpenny an hour. For this, they were made to work as children had never been made to work before; rarely less than eleven hours a day" (Ingliš 1971, 104).

Chapter 4

Ascendancy of the Wage-Fund Doctrine

Against these barriers Trade Unions must dash themselves in vain. They are not to be broken through or eluded by any combinations however universal; for they are the barriers set by Nature herself.

—J.E. Cairnes

The wage-fund doctrine had its period of ascendancy from about 1820 to about 1870; its origins, however, are in the eighteenth century. Its intellectual roots extend to such diverse thinkers as Benjamin Franklin, François Quesnay, Edmund Burke, and Jeremy Bentham, while its material basis was the scarcity shortages, and scenes of starvation recurrent throughout the age. As the immense expansion of industry brought rapid population growth and social conflict to the cities and towns, its core message was first given a crude though universal currency in the tracts of Thomas R. Malthus and Mrs. Jane Marcet. Finally as the legal restrictions on trade union activity were loosened and working people began to play an organized if unwelcome part in political and economic life, the doctrine was elevated to the status of scientific orthodoxy by the high priests of political economy—James Mill, J. R. McCulloch, Nassau W Senior, and others. The wage-fund doctrine was the quintessential product of what Marx termed vulgar political economy: a dogma concealing real economic relations, on the one hand, and justifying them, on the other. It was a transparent effort to disarm the working-class movement, and an attempt (largely successful) to rally public opinion behind bourgeois resistance to the demands of working people for a better life. It was the principal ideological weapon in the arsenal of capital in its disputes with labor over the level of wages.

It was a simple doctrine; that was part of its appeal.¹ It pretended that the sum of capital earmarked or "destined" for wage payments at any one time was a fixed amount, incapable of expansion. Thus, the wage fund was said to be a sum that each capitalist, and the capitalist class as a whole, could—in the short term—do nothing to alter. Workers could fight among themselves over how this fund would be divided, but they could not increase the size of the fund itself. Forceful attempts to raise wages would at most deprive other workers of their share of the fund, but never secure a general increase. Trade unions were thus of no benefit to the working class; they were rather bastions of selfish delusion promoting the robbery of poorer workers of their rightful wages. Public opinion had little sympathy for such engines of oppression.

This fiction, however absurd, was of course highly useful, and was therefore vigorously defended against the critics who saw through its flimsy pretense. It was, nonetheless, finally given the coup de grace in 1869 by John Stuart Mill when he publicly acknowledged that it was false and should be discarded. The fact was that the doctrine had outlived its usefulness—trade unions, more powerful than ever, were winning wage increases for their members and extending themselves into new branches of industry. By the 1870s, with universal suffrage on the horizon, more modern methods for controlling labor had to be devised. The Liberal-Labour alliance was born; the wage-fund theory was allowed to die.

The theory lost its usefulness in the new age of cooptation also because it brought discredit in the minds of working people upon the establishment's pet ideology. As Toynbee noted in the early 1880s, the wage-fund theory and the political economy of which it was a basic tenet became "an offence to the whole working class" (Toynbee 1956, 88). It was generally agreed that it "contributed to a great extent to render the doctrines of political economy unpopular with the working classes" (Palgrave 1926, 636). In the closing decades of the century, moreover, England awoke to the fact that it was overproduction, not scarcity, which was threatening to unravel the social fabric.

In searching for the intellectual antecedents of the wage-fund doctrine, an embryonic formulation can be seen in the work of Benjamin Franklin, better known in the history of economics for the fact that, as Marx put it, he "for the first time deliberately and clearly (so clearly as to be almost trite) reduces exchange value to labour time" (CW29, 295). He was one of many earlier authorities whom Malthus

mined for his *Essay on the Principle of Population* (1798). In his *Observations Concerning the Increase of Mankind, Peopling of Countries, &c* (1751), Franklin stated the Malthusian argument in a nutshell: "There is, in short, no bound to the prolific nature of plants or animals, but what is made by their crowding and interfering with each other's means of subsistence" (cited in Smith [1951] 1978, 17). In "On the Labouring Poor" (1768), Franklin defends the employer from the claims of labor and anticipates the argument of the wage-fund theory:

Much malignant censure have some writers bestowed upon the rich for their luxury and expensive living, while the poor are starving, &c. not considering that what the rich expend, the labouring poor receive in payment for their labour. It may seem a paradox if I should assert, that our labouring poor do in every year receive *the whole revenue of the nation* . . . and from us they can have no more.

If it be said that their wages are too low, and that they ought to be better paid for their labour . . . the cheapness of labour is, in most cases, owing to the multitude of labourers, and to their underworking one another in order to obtain employment. . . . Among ourselves, unless we give our working people less employment, how can we, for what they do, pay them higher than we do? Out of what fund is the additional price of labour to be paid, when all our present incomes are, as it were, mortgaged to them? Should they get higher wages, would that make them less poor, if in consequence they worked fewer days of the week proportionably? (Franklin 1987, 623–25)

Here is the unvarnished complaint of every employer, that they can pay no more. This will later be fashioned into a fundamental law of nature. Franklin of course had no interest in grinding down the poor or in justifying the efforts of those who did. In an unpublished essay, "Reflections on the Augmentation of Wages, which Will Be Occasioned in Europe by the American Revolution," written probably in France during the American Revolution or shortly afterward, he expressed an altogether different view of the wage question.²

François Quesnay, two years previously, had also expressed the idea that the resources of a predominantly agricultural society were limited:

No matter who the worker may happen to be, it is necessary that the land should have produced in advance what he has consumed for his subsistence. . . . The worker who sought to do more work in order to increase his wages or his consumption would do so in vain, for he cannot extend them beyond the products which are at present available for his consumption, for that of the cultivator, and for that of all the other men who make up the nation. ("Dialogue on the Work of Artisans," 1766; cited in Meek 1962a, 210)

The notion of a fixed wage fund is stated even more explicitly:

The more highly you pay [wage-earners], the more each of them will be able to expand his consumption. But then there will be fewer wage-earners and fewer consumers competing with one another for the purchase of your products, since the total quantity of wages is limited. Thus the more highly you paid the wage-earners of the productive class, the less you would be able to pay to the sterile class; and for the same reason the more highly you paid the sterile class; the less you would be able to pay to the productive class. Everything here is subject to strict rules, in connection with which argument should yield to calculation. ("Dialogue on the Work of Artisans," 1766; cited in Meek 1962a, 229)

Later, Turgot, in "Letters on the Grain Trade" (1770), also presented a preliminary formulation of the doctrine—that the number of laborers relative to the wage fund is the chief determinant of wages:

[F]rom the very fact that labour is more sought after, wages must rise by degrees, because labourers will become scarce relative to the wages offered it. It is a well known fact that in the last few years, while the building trade has been brisk in Paris, masons have been given higher wages. This increase is inevitable as long as the number of labourers does not increase in proportion to the new values put into the wages

fund for distribution. (Turgot 1977, 177)

The classical supply-and-demand wage model, in which simple notions of population and capital are the primary factors, was given its most famous and influential expression by Adam Smith in the *Wealth of Nations*. This became the wage-fund doctrine's scriptural foundation, later to be degraded into dogma by its admixture with the Malthusian population theory and an anti-trade union political agenda. He wrote:

The annual labour of every nation is the fund which originally supplies it with all the necessities and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labour, or in what is purchased with that produce from other nations.

According therefore, as this produce, or what is purchased with it, bears a greater or smaller proportion to the number of those who are to consume it, the nation will be better or worse supplied with all the necessities and conveniences for which it has occasion. (Smith 1937, lvii)

Of course, Smith's emphasis on the role of labor will have to be discarded, the contributions of Barton and Ricardo on the nature of capital accumulation ignored, the sinking of the Malthusian population theory by its critics denied, and the labor fund itself recast in concrete. When all this is done, the wage-fund theory can be deemed a legitimate offspring of classical political economy.

Jeremy Bentham was regarded by Marx as the first to formulate the wage-fund dogma in a simplistic, arithmetical guise. "Classical economy," he wrote, "always loved to conceive social capital as a fixed magnitude of a fixed degree of efficiency. But this prejudice was first established as a dogma by the arch-Philistine, Jeremy Bentham, that insipid, pedantic, leather-tongued oracle of the ordinary bourgeois intelligence of the 19th century" (CW35, 605). Thus, in his *Manual of Political Economy* (1795), Bentham wrote: "But the rate of wages depends upon, and is necessarily governed solely and exclusively by, the degree of opulence in the country at the time: that is by the proportion of the quantity of wealth in readiness to be employed in the shape of capital in the purchase of labour to the number of persons for whose labour there is a demand" (Bentham 1952–54, vol. 1, 247–48).

"The dogma," Marx continued, "was used by Bentham himself, as well as by Malthus, James Mill MacCulloch, etc., for an apologetic purpose, and especially in order to represent one part of capital, namely variable capital, or that part convertible into labour power, as a fixed magnitude. The material of variable capital, *i.e.*, the mass of the means of subsistence it represents for the labourer, or the so-called labour-fund, was fabled as a separate part of social wealth, fixed by natural laws and unchangeable" (CW35, 605–6).

Another contributor, if not to the actual wage-fund doctrine but to the ideological soil in which it took root, was Edmund Burke, whose *Thoughts and Details on Scarcity* (1800) was written in response to the social crisis attending the poor harvest of 1795.³ Burke, opposing legal interference with either wages or the price of grain, despite the specter of mass starvation, expressed ideas similar to those of Malthus:

The labouring people are only poor, because they are numerous. Numbers in their nature imply poverty. In a fair distribution among a vast multitude, none can have much. . . . Labour is a commodity like every other, and rises or falls according to the demand. . . .

[A] very small advance upon what *one* man pays to *many*, may absorb the whole of what he possesses, and amount to an actual partition of all his substance among them. A perfect equality will indeed be produced;—that is to say, equal want, equal wretchedness, equal beggary. (Burke 1984, 62, 65–66)

Poor harvests, the war with France, radical shifts in the structure of industry and agriculture (especially enclosures and the forcible uprooting of the rural population), the opulence of the rich, the Corn Law, and an onerous burden of taxation all have been cited as causes of the wretchedness that swept over England at this time. Yet the unprecedented scope of this poverty produced, in addition to a clamor for radical changes in the organization of society as the means of eliminating these abuses, indeed in

response to this clamor, a fatalistic mentality that assigned the causes of poverty to eternal laws of nature. In the year prior to the publication of Malthus's *Essay on Population*, Sir Frederic Morton Eden's massive report *The State of the Poor* (1797) appeared, in which it was suggested:

It is not probable that the arguments of philanthropists ever will have much weight in persuading the great mass of employers to increase the wages of the employees, for it is by imperious circumstances alone, which neither master nor workman can control, that the demands of the one and the concessions of the other are regulated. (cited in Mantoux 1961, 418n)

As Mantoux observed, "The idea that the worker's condition was the result of a sort of economic fatality, was, from then onwards, referred to as though it were scientifically proved" (Mantoux 1961, 418n).

The first edition of Malthus's *An Essay on the Principle of Population, as it Affects the Future Improvement of Society* was published in 1798; a second edition with significant changes and additions appeared in 1803 and was the basis for several editions that followed over the years. The *Essay* generated a massive critical response, eventually encompassing in its sweep the whole of political economy. As William Godwin observed, "The advocates of old establishments and old abuses, could not have found a doctrine more to their heart's content, more effectual to shut out all reform and improvement for ever" (cited in Smith [1951] 1978, 39).

The premise of Malthus's work was simply that "the power of population is indefinitely greater than the power in the earth to produce subsistence for man" (Malthus 1960, 9). From this hypothesis he drew his central argument, that "the poverty and misery which prevailed among the lower classes of society are absolutely irremediable" (Malthus 1960, 149). His conclusion was that efforts to reform society can never achieve their goal. More to the point, he also argued that higher wages through collective bargaining were out of the question. Working people were cautioned that trade unions are "not only illegal, but irrational and ineffectual" (Malthus 1960, 385). This argument, elaborated upon by later writers, effectively launched the wage-fund doctrine.

There remained one important difference, however, between the wage-fund theory of the *Essay on Population* and that of later economists. According to Malthus, the fund was composed of actual wage goods, food products for the most part, rather than of money capital as it would later be thought. The varying levels of subsistence, therefore, were in his view dependent on the amount of food available for distribution to the working class—this availability determined by the productivity of agriculture. An increase in money wages could not, according to his economic model, increase the food supply, but only redirect it from one sector of workers to another.

The fund appropriated to the maintenance of labour, would be, the aggregate quantity of food possessed by the owners of land beyond their own consumption. When the demands upon this fund were great and numerous, it would naturally be divided in very small shares. Labour would be ill paid. Men would offer to work for a bare subsistence, and the rearing of families would be checked by sickness and misery. On the contrary, when this fund was increasing fast; when it was great in proportion to the number of claimants; it would be divided in much larger shares. . . .

On the state of this fund, the happiness, or the degree of misery, prevailing among the lower classes of people in every known State, at present chiefly depends. And on this happiness, or degree of misery, depends the increase, stationariness, or decrease of population. (Malthus 1960, 74–75)

This rudimentary notion of wage determination, a corollary of his population doctrine, was a central message of his *Essay*. Malthus gave the idea of a finite subsistence fund his most memorable formulation in the image of "nature's feast." This notorious passage, excised from later editions, was used against him to great effect:

A man who is born into a world already possessed, if he cannot get subsistence from his parents on whom he has a just demand, and if the society do not want his labour, has no claim of *right* to the smallest portion of food, and, in fact, has no business to be where he is. At nature's mighty feast there is no vacant cover for

him. She tells him to be gone. (cited in Himmelfarb 1984, 122)

Short-term inelasticity in aggregate wages, the principal characteristic of the wage-fund doctrine, was a key element in Malthus's argument. As illustration, he hypothesized a "subscription of the rich" to supplement the wages of "every labourer." It "would not," he wrote, "increase the quantity of meat in the country." The limitations of an agrarian society (real, imagined, or artificially induced) were alleged to be the basis for his conclusion: "There is not at present enough for all to have a decent share." Thus, the efforts of workers to win higher wages are not primarily detrimental to the rich, by depressing profits, as Ricardo saw it, but by depriving other workers of their share they injure their own class. "I cannot by means of money raise a poor man and enable him to live much better than he did before, without proportionably depressing others in the same class" (Malthus 1960, 30–31). The beauty of the wage-fund doctrine was that it made workers the cause of their own misery—the great conflict of the age was not between labor and capital but between worker and worker.

This is explicitly argued in Malthus's attack on trade unions, added to later editions of the *Essay*:

To remedy the effects of this competition [of labour] from the country, the artificers and manufacturers in towns have been apt to combine, with a view to keep up the price of labour, to prevent persons from working below a certain rate. But such combinations are not only illegal, but irrational and ineffectual; and if the supply of workmen in any particular branch of trade be such as would naturally lower wages, the keeping them up forcibly must have the effect of throwing so many out of employment, as to make the expense of their support fully equal to the gain acquired by the higher wages, and thus render these higher wages in reference to the whole body perfectly futile.⁴ (Malthus 1960, 385)

The Malthusian population and wage-fund doctrines enjoyed huge success, winning near-universal acceptance by public opinion. The bourgeois public eagerly embraced what it wanted to believe, that the ills of society were not its responsibility, that the poor were the cause of their own suffering, that working people were wrong to demand higher wages, and so on. But the Malthusian project and the wage-fund doctrine especially were also aimed at the workers themselves in the hope of inducing them to abandon their struggle.

If these truths were by degrees more generally known . . . the lower classes of people, as a body, would become more peaceable and orderly, would be less inclined to tumultuous proceedings in seasons of scarcity, and would at all times be less influenced by inflammatory and seditious publications, from knowing how little the price of labour and the means of supporting a family depend upon a revolution. (Malthus 1960, 591–92)

Malthus published his *Principles of Political Economy* in 1820; a second edition appeared in 1836, after his death. While the *Essay on Population* was in its main outlines compatible with Ricardian economics, the *Principles of Political Economy* was a direct assault on it. Malthus rejected the cornerstone of Ricardo's analysis, the determination of value by labor time, suggesting instead that "the value of a commodity at any time, and at any place, may be measured by the quantity of the standard labour of that time and place, which it will exchange for or command" (Malthus [1836] 1986, 111). This regression in value theory carried over into his treatment of wages, reducing their determination to the crude supply-and-demand equation of his population doctrine:

The real wages of labour consist of the necessities, conveniences, and luxuries of life, which the money wages of the labourer enable him to purchase. . . .

[This] quantity of money, of corn, or of the necessities and conveniences of life, which is awarded to the labourer, is subject to great variations, all dependant upon the demand and supply of these objects compared with the demand and supply of labour. (Malthus [1836] 1986, 217–18)

By equating the value of a commodity to the amount of labor "which it will exchange for or command," Malthus is left with no criterion for defining the "value of labor" or the "natural rate of wages"

other than whatever commodities labor "will exchange for." In other words, "the natural rate of wages" is whatever the market establishes. "The natural or necessary price of labour in any country I should define to be that price which, in the actual circumstances of the society, is necessary to occasion an average supply of labourers, sufficient to meet the effectual demand" (Malthus [1836] 1986, 224). Thus, the "natural price of labor" is defined as its equilibrium price, and it depends "partly upon the rate at which the funds for the maintenance of labour and the demand for labour are increasing; and partly, on the habits of the people in respect to their food, clothing, and lodging" (Malthus [1836] 1986, 224). (This latter qualification was added in response to criticism of his *Essay on Population*.) Strangely, Malthus is silent on the question of trade unions, though his analysis remains in keeping with the wage-fund model. He writes:

[A] great command over the necessities and conveniences of life may be effected in two ways, either by a rapid increase in the quantity and value of the funds destined for the maintenance of labour, or by the prudential habits of the labouring classes; and that as the former mode of improving their condition is neither in the power of the poor to carry into effect themselves, nor can in the nature of things be permanent, the great resource of the labouring classes for their happiness must be in those prudential habits which, if properly exercised, are capable of securing to them a fair proportion of the necessities and conveniences of life. (Malthus [1836] 1986, 260)

An improvement in the condition of working people thus depended on their refraining from sexual activity in order to keep the supply of labor within the bounds set by "the funds destined" for its maintenance.⁵ Wages, in short, were determined by the needs of capital for a certain supply of labor: "And whatever may be the state of the effectual demand for labour, it is obvious that the money price of labour must, on an average, be so proportioned to the price of the funds for its maintenance, as to effectuate the desired supply" (Malthus [1836] 1986, 218).

Before James Mill and J. R. McCulloch invested the wage-fund doctrine with the mantle of orthodoxy, two followers of Malthus—David Buchanan and Jane Marcet—set the stage for its prominence by giving it a formulaic simplicity. In 1814, Buchanan published an edition of Adam Smith's work that included his own *Observations on the Subjects Treated of in Dr Smith's Inquiry into the Nature and Causes of the Wealth of Nations*, with a second edition appearing in 1817. Drawing on the prestige of Smith to reinforce the message of Malthus, Buchanan prepared the way for Marcet: "The price of labour," he wrote, "like that of every commodity which is bought and sold rises or falls with the demand; a great or a small demand being invariably followed by high or low wages. But the demand itself is regulated by certain general causes, and particularly by the state of the national stock; which being the great fund for the employment and support of labour, the demand will vary in proportion as it increases or declines" (Buchanan [1817] 1966, 42). He reduced the determination of wages to a simplified notion of the laws of supply and demand, while subjecting Smith to a Malthusian critique: "It is an opinion indeed adopted by Dr Smith, and most other writers, that the money price of labour is regulated by the money price of provisions, and that when provisions rise in price, wages rise in proportion. But it is clear that the price of labour has no necessary connexion with the price of food, since it depends entirely on the supply of labourers compared with the demand" (Buchanan [1817] 1966, 59).

Jane Marcet has been mistakenly called the founder of the wage-fund dogma, though clearly her role in popularizing it was very great. In her *Conversations on Political Economy; in which the Elements of that Science Are Familiarly Explained*, first published in 1816, she said that her slender work was intended for "young persons of either sex," and that it was based on the writings "of the great masters . . . particularly . . . Dr. Adam Smith . . . Mr. Malthus . . . Mr. Ricardo" (Marcet 1819, vi, vii). The pamphlet takes the form, as its title says, of a series of dialogues or "conversations," in which the innocent are indoctrinated with the principles of political economy. The following sequence is often cited as one of the wage fund's earliest formulations:

Caroline. What is it that determines the rate of wages?

Mrs. B. It depends upon the proportion which capital bears to the labouring part of the population of

the country.

Caroline. Or, in other words, to the proportion which subsistence bears to the number of people to be maintained by it?

Mrs. B. Yes, it is this alone which regulates the rate of wages. (Marcet 1819, 124)

Marcet summed this up so neatly that it is not surprising that she is sometimes seen as the doctrine's originator:

Mrs. B. We may generally state, therefore, that when the number of labourers remains the same, the rate of wages will increase with the increase of capital, and lower with the diminution of it; and that if the amount of capital remain the same, the rate of wages will fall as the number of labourers increase, and rise as the number of labourers diminish. (Marcet 1819, 136)

Drawing on the success of her *Conversations*, Marcet published in 1833 *John Hopkins's Notions on Political Economy*. It was an attempt to impress upon working people "how dangerous it was to meddle with things [they] did not understand" (Marcet 1833, 28), such as attempting to raise their wages. In this fable a fairy's wand magically carries into effect John Hopkins's wish, teaching him the hard lessons of orthodoxy. When the fairy doubles the men's wages, prices quickly double and half of the workers are laid off. Summing up this little drama, the hapless hero states: "who would not have thought that, when the law obliged the rich to pay us double wages, it would have made us much richer, and made them only a trifle poorer? but now it seems it will bring us all to ruin together" (Marcet 1833, 27–28).

James Mill and J. R. McCulloch have also been mistakenly identified as the "original founders of the wages fund theory" (Rubin 1979, 314). Mill published his *Elements of Political Economy* in 1821, and, as Marx said, he "was the first to present Ricardo's theory in systematic form, even though he did it only in rather abstract outlines. What he tries to achieve is formal logical consistency. The *disintegration* of the Ricardian school therefore begins with him" (CW32, 274). Mill's rather lifeless presentation lent itself to the hardening of theory into dogma. This may be seen in his treatment of the question of wages. Their rate, he wrote, "depends on the proportion between Population, and Employment, in other words, Capital" (Mill 1821, 25). His mechanical handling of this complex social equation gave the wage-fund doctrine the dogmatic formulation in which it is best known:

It thus appears, that if population increases, without an increase of capital, wages fall; and that if capital increases, without an increase of population, wages rise. . . .

Universally, then, we may affirm, other things remaining the same, that if the ratio which capital and population bear to one another remains the same, wages will remain the same; if the ratio which capital bears to population increases, wages will rise; if the ratio which population bears to capital increases, wages will fall. (Mill 1821, 27–28)

Marx criticized Mill's failure to arrive at an understanding of the level of wages that went beyond supply and demand: "But what is the wage rate when demand and supply balance? That is the point which has to be explained. It is not explained by declaring that this rate is *altered* when the equilibrium between demand and supply is upset" (Marx 1971, 97).

McCulloch's articles "Political Economy" and "Wages," published in the 1823 edition of the *Encyclopaedia Britannica*, were the basis for his *Principles of Political Economy*; it was "nearly a reprint" of them, he said, when it first appeared in 1825 (McCulloch [1864] 1965, vii). With these and other publications, McCulloch "established himself as the leading exponent of the wage-fund doctrine." However, according to Schumpeter, "he added nothing" (Schumpeter 1954, 669). This, as we shall see, is not quite true. McCulloch endowed the doctrine with its distinctive arithmetical formulation which, like the progressions of Malthus, did much to give it mass appeal. In the article "Wages," he stated: "wages depend at any particular moment on the magnitude of the Fund or Capital appropriated to the payment of wages compared with the number of laborers. . . . Laborers are everywhere the divisor, capital the dividend" (cited in Webb 1920b, 604). This was published on the eve of the great labor struggles

attending the repeal of the Combination Acts in 1824 and of the subsequent period of explosive trade union growth. The wage-fund doctrine as presented by McCulloch thus took on special significance and entered its phase of unquestioned ascendancy.

As he repeated in *The Principles of Political Economy*, "the quantity of produce apportioned to each labourer, or his wages rated in commodities, is determined by the ratio which the capital of the country bears to its labouring population." Leaving no stone unturned, he added:

it is only when the proportion of capital to population varies, by its being either increased or diminished, that wages sustain a corresponding advance or diminution. The well-being of the labouring classes is, therefore, especially dependent on the relation which they bear to capital. . . . There are no means by which the command of labourers over necessities and conveniences can be enlarged, other than by accelerating the increase of capital as compared with population, or by retarding the increase of population as compared with capital; and we may be assured that every scheme for improving their condition which is not bottomed on this principle, or which has not an increase of the ratio of capital to population for its object, must be nugatory and ineffectual. (McCulloch [1864] 1965, 316–17)

In 1826, McCulloch published *An Essay on the Circumstances Which Determine the Rate of Wages, and the Condition of the Labouring Classes*, based on the discussion of wages in his *Principles* and with new material on trade unions taken from his 1824 article in the *Edinburgh Review* on the "Combination Laws." Noting the circumstances that prompted him to tackle this subject, he wrote:

The effects that have followed the repeal of the combination laws, have not been such as many of the supporters of that measure anticipated; and it must be admitted that the workmen have in many instances discovered a most refractory and turbulent disposition; and that there is hardly a single branch of industry in which they have not resorted to a *strike*, and entered into combinations, not unfrequently accompanied with violence, to raise their wages, and to dictate to their masters. (McCulloch 1826, 183–84)

Despite this he opposed the call to reimpose legal restraints, adhering to the principle adopted by Smith and Ricardo:

That workmen ought to be allowed freely to combine or associate together, for the purpose of adjusting the terms on which they shall sell their labour, is apparently a most reasonable proposition. Wages, like every thing else, ought always to be left to be regulated by the fair and free competition of the parties in the market, and ought never to be controlled by the interference of the Legislator. (McCulloch 1826, 184–85)

McCulloch then took a more careful look at the forces that actually determine the level of wages, and, in doing so, found an economic justification for trade unionism that undercut much of his own wage-fund theory.

The wages of any set of workmen who enter into a combination for the purpose of raising them, must be either, 1st, *below* the *natural* and *proper* rate of wages in the particular branch of industry to which they belong; or, 2d, they must be *coincident with that rate, or above it*. Now, it is clear that, in the first case, or when wages have been depressed below their natural level, the claim of the workmen for an advance is fair and reasonable; and it would obviously be most unjust and oppressive, to prevent them from adopting any measure, *not injurious to the just rights of others*, which they might think best fitted to render their claim effectual. . . . Not only, therefore, is a combination unaccompanied by violence, a fair exercise of the right of judging for themselves on the part of the workmen, but when it is entered into for the purpose of raising wages that have been unduly depressed, its object is proper and desirable. No master ever willingly consents to raise wages. . . . And hence it is obvious, that without the existence either of an *open and avowed*, or of a *tacit and real combination*, workmen would never be able to obtain a rise of wages *by their own exertions*, but would be left entirely dependent on the competition of their masters. (McCulloch 1826, 186–87)

When later opponents of trade unionism would invoke the wage-fund doctrine against each and every demand of working people for higher wages, they made sure not to mention those or the following words of McCulloch:

When they are allowed freely to combine, their combination may occasion an *immediate* rise of wages; but when their combination is prevented, more or less time must always elapse before the high profits caused by the undue reduction of wages becomes generally known, and consequently before capital can be attracted from other businesses. And hence it is clear, that every attempt to prevent combination in such cases as this, is neither more nor less than an attempt to hinder workmen from making use of the only means by which their wages can be speedily and effectually raised to their *just level*. (McCulloch 1826, 188–89)

This analysis was later developed by J. S. Mill in his *Principles of Political Economy* (1848), where he wrote: "Experience of strikes has been the best teacher of the labouring classes on the subject of the demand and supply of labour" (Mill [1909] 1987, 936). T. J. Dunning, whose *Trades' Unions and Strikes: Their Philosophy and Intention* (1860) did much to mobilize opinion against the wage-fund dogma, also drew on this analysis. And even Marx himself, who had a very low regard for McCulloch, was influenced by the way he formulated this line of reasoning, especially the following passage:

[T]he *result of the combination* is, in fact, the only test by which we can discover whether the advance of wages claimed by the workmen has been fair and reasonable, or the reverse. . . . It is only by the fair and free competition of the parties in the market, that we can discover which of these opposite and contradictory assertions is most consistent with the truth. There neither are, nor is it in the nature of things that there can be, any other means of coming to a correct conclusion on the subject. If the workmen are in the right, they will, as they ought, succeed in their object; and if they are wrong, they will be defeated. (McCulloch 1826, 196)

Years later, while reporting on the 1853 strike wave in England for the *New York Daily Tribune*, Marx similarly described the economic justification of the workers' actions.⁶

Other economists and popularizers, such as Nassau Senior, Harriet Martineau, and Henry Fawcett ignored McCulloch's more nuanced treatment and merely contributed to the campaign of indoctrination. Senior, for example, in his *Three Lectures on the Rate of Wages, With a Preface on the Causes and Remedies of the Present Disturbances* (1831), repeated the standard formula:

[The] rate of wages depends on the extent of the fund for the maintenance of the labourers, compared with the number of labourers to be maintained. This proposition is so nearly self-evident, that it may appear scarcely to deserve a formal statement. . . .

[The] rate of wages can be raised, or, what is nearly the same, the condition of the labouring classes improved, only by either increasing the fund for their maintenance, or diminishing the number to be maintained. (Senior [1831] 1966, iii–iv)

But the doctrine received its most dogmatic formulation from non-economists, as may be seen in the words of Richard Cobden, writing in 1856:

So far as the wages question goes, I think the only sound and honest course is to tell the people plainly that they are under a delusion as to their assumed power to regulate or permanently influence in the slightest degree by *coercion* the rate of wages. They might as well attempt to regulate the tides by force, or change the course of the seasons, or subvert any of the other laws of nature—for the wages of labour depend upon laws as unerring and as much above our coercive power as any other operations of nature. (cited in Gillespie 1927, 108)

Henry Fawcett, writing at a time when attacks on the doctrine were mounting, relied on arithmetic

simplicity to explain it. In *The Economic Position of the British Labourer* (1865), he wrote:

The circulating capital of a country is its wage fund. Hence, if we desire to calculate the average money wages received by each labourer, we have simply to divide the amount of capital by the number of the labouring population. It is therefore evident that the average money wages cannot be increased, unless either the circulating capital is augmented, or the number of the labouring population is diminished. (cited in Thornton 1870, 83)

James Stirling, in *Trade Unionism, with Remarks on the Report of the Commissioners on Trade Unions* (1869), invoked the ultimate authority in its defense:

There is only a certain produce to be divided between capitalist and labourer. If more be given to the labourers than nature awards, a smaller amount will remain for the capitalist; the spirit of accumulation will be checked; less will be devoted to productive purposes; the wage fund will dwindle, and the wages of the labourers inevitably fall. For a time, indeed, a natural influence may be dammed back; but only to act, ultimately, with accumulated force. In the long run, God's laws will overwhelm all human obstructions. (cited in Webb 1920b, 611)

The wage-fund doctrine is most of all associated with the name of John Stuart Mill, partly because of the attention garnered by his "recantation" in 1869, but mainly because his *Principles of Political Economy* was, from its first publication in 1848 and through subsequent editions, the standard economics text for the latter half of the century and the most authoritative statement of orthodox wage theory. Mill was, "if not the originator of the Wages-fund doctrine, certainly its most able and effective expositor" (Cairnes 1874, 158). He was, moreover, never a mere apologist, as Marx acknowledged: "To avoid misunderstanding, let me say that although men like John Stuart Mill are to blame for the contradiction between their traditional economic dogmas and their modern tendencies, it would be very wrong to class them with the herd of vulgar economic apologists" (CW35, 606n). In his *Principles of Political Economy*, Mill repeated the usual formula:

Wages, then, depend mainly upon the demand and supply of labour; or, as it is often expressed, on the proportion between population and capital. . . .

Wages (meaning, of course, the general rate) cannot rise, but by an increase of the aggregate funds employed in hiring labourers, or a diminution in the number of the competitors for hire; nor fall, except either by a diminution of the funds devoted to paying labour, or by an increase in the number of labourers to be paid. . . .

Since, therefore, the rate of wages which results from competition distributes the whole existing wages-fund among the whole labouring population; if law or opinion succeeds in fixing wages above this rate, some labourers are kept out of employment. (Mill [1909] 1987, 343–44, 362)

Mill distanced himself, however, from the ideological opponents of trade unionism, repudiating the wage-fund dogma in its crudest form. And like McCulloch and Torrens, who also rejected the doctrine's more extreme interpretation, he opposed the legal persecution of trade unionists. He declared that laws prohibiting combination "exhibit the infernal spirit of the slave master" (Mill [1909] 1987, 934). Nor did he think that enforced wage increases were an evil always to be avoided:

Those combinations [of workmen] always fail to uphold wages at an artificial rate, unless they also limit the number of competitors. But they do occasionally succeed in accomplishing this. . . .

Notwithstanding, however, the cruel manner in which the exclusive principle of these combinations operates . . . the question, whether they are on the whole more useful or mischievous, requires to be decided on an enlarged consideration of consequences. . . . [T]hese partial combinations, in so far as they do succeed in keeping up the wages of any trade by limiting its numbers, might be looked upon as simply intrenching around a particular spot against the inroads of over-population, and making the wages of the

class depend upon their own rate of increase, instead of depending on that of a more reckless and improvident class than themselves. What at first sight seems the injustice of excluding the more numerous body from sharing the gains of a comparatively few, disappears when we consider that by being admitted they would not be made better off, for more than a short time; the only permanent effect which their admission would produce, would be to lower the others to their own level. (Mill [1909] 1987, 402)

However, Mill retained the notion that the wage fund is a fixed sum, incapable of immediate enlargement, and that a wage increase among one sector of workers would have the effect of depriving others of employment altogether.

If it were possible for the working classes, by combining among themselves, to raise or keep up the general rate of wages, it needs hardly be said that this would be a thing not to be punished, but to be welcomed and rejoiced at. Unfortunately the effect is quite beyond attainment by such means. The multitudes who compose the working class are too numerous and too widely scattered to combine at all, much more to combine effectually. If they could do so, they might doubtless succeed in diminishing the hours of labour, and obtaining the same wages for less work. But if they aimed at obtaining actually higher wages than the rate fixed by demand and supply—the rate which distributes the whole circulating capital of the country among the entire working population—this could only be accomplished by keeping a part of their number permanently out of employment. (Mill [1909] 1987, 934)⁷

NOTES

1. "The doctrine was delightfully simple, and a very comfortable one, except for the laborer" (Wood 1890, 450).

2. "The low rate of wages is one of the greatest defects in the political associations of Europe, or rather of the old World," he wrote. Attacking the mercantilist policy of lowering wages in order to promote exports, he added: "To desire to keep down the rate of wages, with the view of favoring the exportation of merchandise, is to seek to render the citizens of a state miserable, in order that foreigners may purchase its productions at a cheaper rate; it is, at most, attempting to enrich a few merchants by impoverishing the body of the nation. . . .

"The motive is, moreover, ill-founded. . . . In a large manufactory [employing machinery and extensive division of labor] the article can be manufactured and sold at a much lower rate, than in those establishments, which do not enjoy the same advantages; and yet the workmen in the former may receive twice as much as in the latter" (Franklin 1836, 435–38).

3. In *Capital* Marx cited the following remark from Burke's essay, in which the spirit of vulgar political economy was perfectly expressed: "The laws of commerce are the laws of Nature, and therefore the laws of God" (cited in CW35, 748n).

4. Those who ascribe paternity of the wage-fund doctrine to Ricardo overlook his remark, in a letter to Malthus, arguing against just such a notion: "A combination among the workmen would increase the amount of money to be divided amongst the labouring class" (October 21, 1817; Ricardo 1952b, 203). Marx observed that "when Ricardo's theory . . . convinces him that a rise in wages above their minimum does not raise the *value* of the commodities, he says so in a straightforward manner. Malthus wants to hold down wages so that the bourgeoisie may profit" (Marx 1968, 120n).

5. Trade union leader John Gast quipped: "Malthus & Co . . . would reduce the whole matter to a question between Mechanics and their sweethearts and wives [rather than] a question between the employed and their employers" (cited in Thompson 1963, 777).

6. "Now, what did the strikes prove, if not that the workmen preferred applying a mode of their own testing the proportion of the supply to the demand rather than to trust to the interested assurances of their employers? Under certain circumstances, there is for the workman no other means of ascertaining whether he is or not paid the actual market value of his labor, but to strike or to threaten to do so" (cited in Lapidès 1987, 47). Marx's treatment of the 1853 strikes is presented in chapter 7.

7. In the seventh edition of 1871, the previous sentence was replaced by the following: "They would also have a limited power of obtaining, by combination, an increase of general wages at the expense of

profits. But the limits of this power are narrow; and were they to attempt to strain it beyond those limits, this could only be accomplished *etc.*" Mill's repudiation of the wage- fund doctrine is examined in chapter 5.

Chapter 5

Criticism of the Wage-Fund Doctrine

A theory of the relation between capital and labour, which condemned the combination of labourers, whilst it divested employers of all responsibility for the payment of low or insufficient wages, however erroneous it might be, would not be likely to meet with much opposition from those who would be the most competent to detect and expose the errors on which it was based.

—Francis D. Longe

The wage-fund dogma came under attack virtually from the start, in its first, Malthusian formulation, and remained a target of criticism for decades, until it was abandoned by establishment opinion. In its initial, embryonic appearance, wrapped inside the "population doctrine," critics denounced it as inhumane, found in it flaws of logic or errors of fact, and rejected it outright as an absurd, self-serving fabrication, all according to their varying points of view. It was criticized on the grounds that it violated the principles of political economy by some, and rejected along with political economy itself by others. In this chapter we trace the principal opposition specifically to the wage-fund doctrine that came from within the conceptual framework of political economy only. In chapter 6 we examine the broader arguments that were developed by radical and early socialist opponents of political economy.

A purely economic critique of the wage-fund doctrine was first articulated in the 1820s (anticipated, however, by Barton's analysis of 1817), though it was not until the 1860s that it came under heavy fire. Even after John Stuart Mill abandoned it in 1869, critics and defenders fought over it for decades more, as its terms were redefined. In its essential, most dogmatic form, however, that which provoked the most debate, the wage-fund theory may be said to consist of the following propositions:

- 1) that there is a sum of capital *exclusively reserved* or "*destined*" for the payment of wages, this being the wage fund;
- 2) that this sum is a *fixed amount* that can be neither enlarged nor diminished at the will of either the capitalist or the worker, and that it can only increase or diminish over time as conditions are more or less favorable to the operations of capital;
- 3) that the average amount of wages received by the working class is determined therefore simply by dividing this wage fund by the number of the laboring population;
- 4) that changes in these average wages can only result from changes either in the size of the wage fund or in the number of laborers;
- 5) that the average level of wages, being determined by the laws of supply and demand, is economically just;
- 6) that any attempt to forcibly raise wages for one group of workers, by legislative or trade union action, for example, must necessarily result in portions of the wage fund becoming unavailable to other workers, either causing them to receive lower wages or forcing them out of employment altogether;
- 7) that workers can improve their condition only by altering the supply-and-demand equation in which they stand with regard to this wage fund, by limiting their number of offspring or by emigration;
- 8) and, finally, that the laws governing the operation of the wage fund are as eternal, as immutable, and as irresistible as the laws of nature.

Needless to say, today these propositions appear so indefensible that a serious scientific controversy over their merits hardly seems justified. Nonetheless, their very absurdity and obvious class bias aroused critics of political economy and defenders of trade unionism to muster their arguments that eventually contributed to an alternative theory of wage determination. (Marx's critique, having gone unnoticed in all previous studies of the wage fund and of his economic writings, is presented along with his theory of wages in chaps. 7 through 10.)

One of the earliest critics of the wage-fund theory was Sir Edward West, author of *An Essay on the Application of Capital to Land* (1815), which Marx called an "epoch-making work in the history of Political Economy" (CW35, 543n). It is in West's *Price of Corn and Wages of Labour* (1826), however, that we find his critique of the wage fund. Marx applauded his emphasis in this work on the difference between actual wages and the price of labor. It was previously overlooked that "the price of labour and the wages of labour are very different things. The price of labour is the sum paid for a given quantity of labour; the wages of labour is the sum earned by the labourer" (West 1826, 67). (West also suggested an additional distinction between "price of labor" and "rate of wages," referring respectively to the intensity and duration of labor.) While crediting him for making this distinction, Marx thought that he skated over the "main question: 'How is the price of labour determined?'" with "mere banalities" (CW35, 544n). "The price of labour," West had suggested, "is regulated by the same law as all other price, the proportion which the supply and demand bear to each other" (West 1826, 62). He rejected Ricardo's conception of a "natural price of labor," or that wage levels reflect the laborer's cost of living, insisting that "the price of labour is regulated *solely* by the proportion between supply and demand" (West 1826, 63; emphasis added).

He does, however, suggest an important innovation in evaluating the supply of labor. It "will not depend only upon the number of labourers, or the amount of the population, as supposed by Mr. Ricardo and Mr. Malthus, but also upon the industry of the labourer" (West 1826, 75). This insight was extended by Ramsay, becoming the basis for his argument in favor of shortening the hours of labor. It was also considerably developed by Marx, who utilized it along with the Barton–Ricardo thesis on machinery to show the falseness of the Malthusian population doctrine as a basis for the supply-and-demand model of wage determination (the wage-fund dogma). But West does not use it in this way.

On what basis then does he deny the validity of the wage-fund theory? He disputes the fundamental assumption, from which all else proceeded, that a predetermined sum of capital (or any sum, for that matter) regulates the demand for labor. "Mr. Malthus thinks that the demand for labour is proportioned to the rate at which the capital and revenue of the country increase," he wrote. However, the demand for labour is usually the cause and not the effect of the increase of the capital of a country.

It is true and most obvious that the *real* wages of labour cannot be increased without an increase of the capital which constitutes the maintenance of labour, such as food, clothing, &c. But the increase of this capital is generally the effect, and not the cause, of the increased demand for labour; there may be an additional demand for labour without any preceding increase of capital, such increased demand for labour causes an increase of the money wages of labour, and that increase of the money wages effects an additional demand for and an increase of the quantity of such capital. (West 1826, 78–79)

Malthus identified the wage fund with the actual wage goods consumed by the laborer, these being primarily agricultural produce, in other words, food. Later economists, and Malthus himself, eventually adopted the view that the fund took the form of money capital, though they continued to see it as an inelastic, designated sum. West not only rejected the conception that this capital fund was composed of actual produce and thus that it was necessarily limited, but he denied that it defined the demand for labor:

It is obvious that if wages were all paid in kind, and not in money, an increase of capital must precede any increase of the demand for labour and of wages. These wages would be the *real* wages of labour, and they could not be increased without an increase of capital, that is, of the necessaries, &c. of which the real wages are constituted. Wages certainly in this sense could not be increased without an increase of capital. (West 1826, 80–81)

As this is not the case, however, he rejected the traditional belief in a causal connection between demand for labor and size of the wage fund, or, rather, he reversed the terms of it. Opposing the views of Smith, Ricardo, and Malthus, West states that "the demand for labour is not regulated solely by the amount of the capital. . . . The demand for labour and the price of it may increase in just the same manner as the demand for and price of every thing else" (West 1826, 81). In fact, he adds,

when we consider that wages are not paid in kind but in money, the result will be found to be very different; it will be found that a larger or smaller expenditure in money may be given to the labouring population, that their money-wages will accordingly rise or fall; their demand for the articles necessary for their consumption will be increased or diminished, and the price and quantity of them increased or diminished in the same proportion. (West 1826, 83)

Attacking what he called the "fallacy" of not considering the ability of money to circulate freely and endlessly, in other words, the fallacy of believing that there is a *fixed, designated wage fund* (though he does not use this language), West makes the then-radical suggestion that "a larger or smaller proportion of the real capital and labour of the country, might be employed in providing necessities for the labourer, and a smaller or larger in providing luxuries for the rich, &c." (This simple thought was later to be the basis of Mill's "recantation.") Historical evidence also points to the fact "that a larger or smaller amount of the pecuniary means or pecuniary capital of a country may be expended on the labouring population." Demonstrating the falseness of the prevailing view, "that the demand for labour depends solely upon the amount or rate of increase of wealth or capital of a country," he asks:

How then is the demand for labour in fact regulated? By the wants and means of the community. The wants depend upon various circumstances; the profit to be made of it by those who usually employ productive labour, the urgency of the call of Government for military and naval services, the taste of those who employ menial servants, &c. &c. &c. According to the greater or lesser urgency of those wants will a greater or lesser proportion of the means of the employers be expended on labour. The means of such employers are of course . . . the pecuniary means, and will depend not only on the actual amount of the precious metals, but on the credit which they can command. (West 1826, 85–86)

Writing in the 1820s, when crises of overproduction had only just begun to assert themselves, West understandably could neglect the principal condition of commodity exchange under capitalist relations of production, the realization of surplus value. In an argument that in the next decade was employed by the revolutionary communist J. F. Bray, West saw the real needs of the community as the basis for a virtually unlimited market. He does not appear troubled by the contradiction between production for private profit and production for social need. When trade is active and the period of circulation shortened, "wages and profits may increase together; though perhaps the price of labour and profits cannot increase together. The demand for and money-wages of labour may be increased without any increase of the capital of the country" (West 1826, 88).

The Reverend Richard Jones was the successor to Malthus in the chair of political economy at Eas India (later Haileybury) College. He was an original thinker, not at all in the same category as his illustrious predecessor. Marx referred appreciatively to his writings in *Capital* and discussed him at length in *Theories of Surplus-Value*. Jones was critical of many of the orthodoxies of his day, especially the traditional methodology of economics. While he was a theorist of the "labor fund," he cannot really be included among the critics of the wage-fund doctrine, though he has been frequently called "one of [its] earliest opponents" (Grossmann 1943, 509). Taussig, on the other hand, more correctly saw him as an adherent of the wage-fund theory, only one who insisted that in earlier history "it had but very limited application" (Taussig [1896] 1968, 208).¹

Jones's principal work, *An Essay on the Distribution of Wealth and on the Sources of Taxation* (1831), remained unfinished; only Part 1, "Rent," ever saw publication. Though he intended in a second part to investigate the "laws which determine fluctuations in the numbers of the laboring classes, and in the amount of the funds devoted to their maintenance," thereby revealing "the circumstances which determine the rate of wages in the different stages and forms of human society" (Jones [1831] 1964a, xxvii), these goals were never fulfilled. Nonetheless, this work as it stands "is distinguished by what has been lacking in all English economists since Sir James Steuart, namely, a sense of the *historical* differences in modes of production" (Marx 1971, 399). The world-historical perspective that Jones brought to his researches and the inductive mode of reasoning that he employed made him uncomfortable with any dogma, that of the

wage fund included. He rejected, for example, the rigid version of the fund, as when he wrote: "The productive power of a people being stationary, wages may increase, we know, at the expense of profits; or on the other hand, with the advance of the productive powers of the population, wages may increase while profits are undiminished" (Jones [1831] 1964a, 289). Jones seems opposed to any notion of a fixed, designated fund; however, this is all he had to say on the subject in the *Essay on the Distribution of Wealth*.

In his other writings, gathered up after his death into his *Literary Remains* (1859), he was able to give more attention to the question of wages and to the "labor fund."

The wages of individual labor are determined by two causes: 1. by the amount of wealth devoted to the purpose of maintaining laborers; 2. by the number of laborers among whom that amount of wealth is divided. The amount of wealth devoted to the maintenance of labor constitutes the *labor fund* of the world; and the amount so devoted in any country constitutes the labor fund of that country. The labor fund of the world consists of portions of wealth which reach the laborer from different hands, which portions increase, diminish, or remain the same, from different causes and under different circumstances. (Jones [1859] 1964b, 79)

While this suggests a greater flexibility on the subject than some other writers, it is neither an endorsement nor a critique of the wage-fund *doctrine*.

Jones did question, however, the Malthusian dogma that wage increases inevitably lead to positive population growth, and vice versa. In fact, as he pointed out,

the very opposite consequence, namely, a retardation of the rate of [population] increase may also follow such a [wage] rise, and then wages will have a tendency to rise yet more. On the other hand, although a retardation in the rate of [population] increase may follow a fall in wages, and react on the labor market, so as to lead to an ultimate rise of wages, yet an exactly opposite consequence may also follow, and may lead to an increase of the population which would tend to reduce the rate of wages still lower. (Jones [1859] 1964b, 144–45)

This could be part of a critique (indeed, it was a standard critique of Malthus), yet it is far from an explicit attack on the wage fund.

And what are we to make of his remark that "The rate of wages is determined by *the amount of the labor-fund, divided by the number of laborers*" (Jones [1859] 1964b, 238; emphasis added)? The suggestion that he is to be ranked among the critics of the wage-fund doctrine cannot be reconciled with these words. Moreover, he denied that the level of wages was determined, even in part, by the customary wants and needs of workers, excluding therefore an impact on that level of any struggle workers might make: "the price of labor, like the price of every other commodity, depends, at any given time and moment, on the supply of labor in the market compared with the demand for it; and *that* without any reference whatever to the prices of the commodities on which the laborers may choose to expend their income" (Jones [1859] 1964b, 146–47). In fact, in all of Jones's writings the question of trade unionism and strikes is absent, in contrast to the concern shown by other economists writing in the early 1830s.

On what basis, then, is he called a critic of the wage-fund doctrine? For one thing, he presented much information on the earnings of labor in pre-capitalist economies, showing that the model of wage determination employed by political economy was of only limited application. "The wages of labour," he wrote, "are advanced by capitalists in the case of less than one-fourth of the laborers of the earth" (Jones [1859] 1964b, 392).² Important as this is, again it is not sufficient to make him a critic of the wage-fund doctrine in its contemporary context.

Second, as Marx pointed out, Jones may be included in the tradition of Barton, Ricardo, Ramsay, and others who acknowledged the injurious effects of technological development on the demand for labor. Marx quotes him as saying:

The amount of capital devoted to the maintenance of labour may vary, independently of any changes in the whole amount of capital. . . . Great fluctuations in the amount of employment, and great suffering may become more frequent as capital itself becomes more plentiful. (cited in CW35, 626n)

This certainly is an implicit critique of the wage-fund dogma, at least of its more apologetic aspects, but it is still not enough to label Jones an actual opponent.

Only Marx has presented an adequate description of Jones's relation to the notion of the wage fund, in which his achievements and shortcomings are laid out side by side:

The main point in Jones's work is that the whole economic structure of society revolves around the *form of labour*, in other words, the form in which the worker appropriates his means of subsistence, or that part of his product upon which he lives. This labour fund has various forms and *capital* is merely one of them, it is a form which arises rather late in the historical development.³ It is only in Richard Jones's work that the important differentiation— between labour that is paid out of capital and labour paid directly out of revenue—made by Adam Smith receives the full elaboration of which it is capable and becomes a major key for understanding the various economic formations of society. And with it disappears the absurd notion that, because in capital the worker's revenue first takes the form of something appropriated, alias *saved*, by the capitalist, this signifies more than a formal difference. (Marx 1971, 414)

In other words, Marx added, "the different forms of the labour fund correspond to the different ways in which the worker confronts his own conditions of production. The manner in which he appropriates his product (or part of it) depends on his relations to his conditions of production" (Marx 1971, 415). Marx continues:

But in the capitalist mode of production the original labour fund itself likewise appears as something *saved* by the capitalist. The reproduced labour fund does not remain in the possession of the worker . . . but appears as the property of the capitalist and confronts the worker as the property of *someone else*. And this point is not elaborated by Jones. . . .

A point which Jones does not sufficiently emphasise, and which he really only implies tacitly, is this: If the labouring producer pays himself his own wages and if his product does not at first assume the "shape" of other people's revenue from which savings are made and then paid back by these people to the labourer, it is necessary that the labourer be in possession of his conditions of production (as property owner, or tenant, or hereditary occupier, etc.). In order that his wages and consequently the labour fund can confront him as alien capital, these conditions of production must have been lost to him and have assumed the shape of alien property. Only after his conditions of production together with his labour fund have been wrested from him and when, as *capital*, they are rendered independent in relation to him, does the further process begin, which is not concerned with the mere reproduction of these original conditions of production, but with their further development so that both the conditions of production and the labour fund confront the labourer as something "saved" from other people's revenue in order to be converted into capital. (Marx 1971, 417, 421–22)

Marx's discussion of Jones and the labor fund goes to the root of the whole question, exposing the fundamental fallacy of the wage-fund doctrine, which is no more than the mystification of capital. He displays, on the one hand, Jones's achievement in providing historical material that placed the concept of the labor fund in perspective, and, on the other, noted his failure to apply this knowledge in a critical way to the bourgeois form of the fund and to the ideology cloaking it. The results of Jones's investigations are vital to a critique of the wage-fund theory; they are even, as Marx indicates, a critique by implication; but he himself was no critic, no conscious opponent of it in its contemporary application.

Thomas Joseph Dunning (1799–1873) was the secretary of the London Consolidated Lodge of Journeymen Bookbinders in 1843–73 and the founding editor of the *Bookbinders' Trade Circular*.⁴ The Webbs describe him as "one of the ablest Trade Unionists of his time" (Webb 1920a, 188n). He brought

the Bookbinders into the London Trades Council shortly after it was formed in 1860, and in 1864 he was one of the founders of the Trades Union Conference. In 1860, he published the essay *Trades' Unions and Strikes: Their Philosophy and Intention*, which was praised by Marx and John Stuart Mill and was one of the most influential (if indirect) critiques of the wage-fund dogma in the entire history of this debate.⁵

Mill added a note to the 1862 edition of his *Principles of Political Economy* recommending Dunning's tract: "Whoever wishes to understand the question of Trade Combinations as seen from the point of view of the working people, should make himself acquainted" with it, adding that "there are also many sound arguments, and an instructive exposure of the common fallacies of opponents" (Mill [1909] 1987, 939n). It has been suggested that Dunning's work "led Mill finally to introduce into his analysis the single most important argument for the existence of trade unions: that the market is imperfect" (Schwartz 1972, 89).⁶ (This argument, we recall, was first explicitly made by McCulloch, though it was clearly implied by Adam Smith—as Dunning observes.) Dunning based his appeal on the simple but compelling fact that supply and demand in a labor market of unorganized workers produces altogether different results than supply and demand in a labor market in which workers engage in collective bargaining. He did not challenge the wage-fund doctrine head on; rather he challenged two of its principal corollaries. He denied the propositions that average wage levels are beyond human interference and that they are necessarily just. These were the critical issues, however, since it was precisely these aspects of the doctrine that were most directed against the trade unions.⁷

Marx praised Dunning, quoting from his pamphlet a number of times in *Capital* and in his *Economic Manuscript of 1861–63*. Moreover, in manuscript pages that never found their way into *Capital*, Marx constructed an argument in defense of trade unions for their role in maintaining the value of labor power, which he based in part on *Trades' Unions and Strikes*. Dunning's book, he wrote, "not only hits the nail on the head but also treats the subject with an apt turn of irony" (Marx 1976, 1070).

Dunning explained that his tract was written in response to a resolution passed by the Society of Bookbinders: "That the Secretary of this Society be requested to write an essay on the Philosophy of Trades' Unions, in reply to the argument against them, to be published in the form of a pamphlet, explaining their true object and intention." Anticipating objections, he argued that "if it be said that his is only the working man's view of the subject, it may be replied that such view is, of all others, the one most needed; as the 'press' has teemed with little else than the employers' view of it." Moreover, its contents "are to be regarded as a sample," not only of his own views, "but those of the working classes generally." In view of the fact that the press "teems with denunciations" against the trade unions, and that "scarcely a voice, directly from themselves, is heard through the press in their behalf," he declared that "it is intended by this pamphlet to supply that deficiency, by a statement direct from a body of working men, by their accredited agent, of their views on the subject" (Dunning 1860, 2–3). Dunning's essay has on occasion been briefly cited, yet little is known of the full range of its argument; it has never been reprinted and only a few copies remain in existence.

The following extracts are reproduced from *Trades' Unions and Strikes: Their Philosophy and Intention* by Thomas J. Dunning:

[T]hose who live by labour are, by *right*, entitled to their revenue by the simple action of the principles of exchange equally with the other three great divisions of society [capitalists, landlords, government], as opposed to the confused idea of wages being derived from the relation of master and servant, involving a sort of benevolent patronage on the one side, and obligation on the other. And it will be our object to show, that it is only by trade combinations that the *free* exercise of this principle can be secured to working men. (4)

It is superfluous to say that the price of labour, like that of everything else, is determined by the quantity or supply of it *permanently* in the market; when the supply of it *permanently* much exceeds its demand, nothing can prevent the reduction of wages; and, conversely, when the demand for it permanently much exceeds its supply, nothing can prevent their rise. In these two extreme points all contention is hopeless. No Trade Society on the one hand, however well organised, can, or ever did, prevent the fall of wages in the first case; nor in the other, can, or ever did, the most stringent legislative enactment, of which there

have been many instances, prevent their rise. Trade Societies, however, rarely meddle with these two extremes. Leaving them, we come to the intermediate states that admit the operation of Trade Societies; and, indeed, which call them into existence.

In all exchanges, besides the adjustment which takes place in them by the operation of demand and supply, there is always, from the predatory instinct inherent in the very nature of man . . . a desire, on one side or the other, to take advantage of the necessities either of the buyer or seller; and, in proportion as these necessities are immediate and pressing, to press that advantage accordingly. . . . In wages, besides the rate of wages, which results from the demand for it in proportion to its supply, there is a lower rate which may be the result of the necessities of the workman. . . . There is, therefore, a wide difference between the demand and supply rate of wages, or the rate which the fair operation of exchange would give, if the buyer and seller of it were on equal terms, and that which is, or would be, compelled, if the employer dealt with each man "singly," and obtained the reduction, which his necessities might dictate. (5–6)

In all bargains, the buyer wishes to buy as cheap, and the seller to sell as dear, as he can; but their interests, all being exchangers, and each, from the highest to the lowest, depending upon this principle—exchange—for his position in life and even for his daily sustenance; all things being equal, their position is not one of opposition, but of mutual interest; and neither the one wishing to get as much, nor the other in wishing to pay as little as possible, can injure the other. But if, as alluded to above, either party possess an advantage over the other in the bargain, this position of mutual interest is changed into one of opposition, in which the weaker party is sure to be deprived of some proportion of what is justly due to him. In this position as bargainers for the sale and purchase of labour, stand the employer and employed. Singly the employer can stand out longer in the bargain than the journeyman; and as he who can stand out longest in the bargain will be sure to command his own terms, the workmen combine to put themselves on something like an equality in the bargain for the sale of their labour with their employers. This is the *rationale* of Trade Societies, which is very clearly indicated by Adam Smith in his *Wealth of Nations*. (7)

The object intended is carried out by providing a fund for the support of its members when out of employ, for a certain number of weeks in the year. This is the usual and regular way in which the labour of the members of a Trade Society is protected, that the man's present necessities may not compel him to take less than the wages which the demand and supply of labour in trade have previously adjusted; strikes, which we shall hereafter notice, being only resorted to on extraordinary, and, generally speaking, most unusual occasions.

As the social position of workmen depends entirely upon the wages they obtain, it is felt by the majority of them to be a sacred duty to adopt this means of protecting their wages. There is no state so abject, and no tyranny so hard to be endured, as that which results from the seller being completely at the mercy of the buyer. It is to avoid this state so detrimental to themselves, and so advantageous to the employers—that working men combine . . . their object . . . being to ensure the freedom of the principle of exchange with regard to labour, by . . . putting the workman in something like an equal position in the bargain for sale of his labour with his employer. (7–8)

When a body of men stand out for a price which their employers refuse to give, while this dispute is pending, the position of the workmen is that of a strike. As strikes are the last resort, as they are always expensive, and as they engender mutual ill feeling, they should never be entered into without duly calculating the probabilities of success, nor until all means of amicably settling the difference have failed. It often happens that workmen have no alternative, but either to submit to a reduction tyrannically enforced, without any reasoning on the matter being allowed, or to cease from labour. . . . But while strikes are always to be deprecated, because they are, for the time, a state of moral warfare, and, like all states of hostility, productive of mutual bitterness—and because they are carried on at a loss to both parties—we are, notwithstanding, clearly of opinion, from long experience of their results to journeymen both of success and defeat, that there is no proper alternative, in certain cases, than the position of a strike. (23)

But suppose the men to be defeated after incurring great expense—the employers' expenses are sure to be fully equal to those of their men, besides the possible loss of business. The fact of its being often very expensive to reduce wages, prevents reductions being attempted which otherwise would be made without hesitation or scruple. Strikes, therefore, even in defeat, have a powerful tendency to prevent a future and further reduction of wages. (24)

An exchange, to be free, supposes both parties to be on somewhat equal terms; otherwise, it is likely to become swindling or robbery. Advantage taken by one of the other's ignorance, weakness, or necessities, will very soon become one or other of these crimes. For illustration, though one is scarcely needed, suppose an exchange of blows. It would not be a free exchange if one of the parties were to have one arm disabled or tied down while the other had the free use of both. . . . [T]he employer wishes to deal with his men singly, so that he, whenever he pleases, may give the *sweaters'* price for their labour; their right arm as bargainers being tied down by their necessities in its sale. This he calls free *trade*, but the freedom is all on his own side. Call it trade, if you will, it is not free *exchange*. (48)

As the labor movement began to reach maturity in the 1860s, criticism of the wage-fund dogma reached its apogee. J. S. Mill began a process of self-revision with the 1862 edition of his *Principles*; Marx delivered his paper on *Value, Price, and Profit* in 1865; William Thornton published *On Labour* in 1869; and Mill in the same year finally announced his belief that the doctrine was false. A number of other writers also expressed opposition to it, with two separate arguments emerging as the main critique. There was, first, the analysis developed by Dunning, that trade unions are necessary to ensure that wages are not depressed by the inability of the individual worker to bargain on an equal footing. Second, it became increasingly understood that there really was no such thing as a fixed, dedicated wage fund, separate and apart from the rest of capital.

This was argued by Francis D. Longe in his *Refutation of the Wage- Fund Theory of Modern Political Economy*, published in 1866. He suggested that the wage-fund theory is "altogether false" because "the capital or wealth applicable to the payment of wages in a country, at any time or during any period, does not consist of a definite fund *distinct from its general wealth*, nor of a fund which is '*destined*' for the purchase of labour" (Longe 1903, 27). Another critic, T. E. Cliffe Leslie, in "Political Economy and the Rate of Wages" (1868), rejected "the theory of wages propounded by economic writers in general." He wrote:

We maintain in opposition to these propositions that no funds are certainly appropriated by employers either collectively or individually to the hire of labourers; that the "average rate of wages" is a phrase without practical meaning; that competition does not equalise wages; that the actual rates of wages are not determined solely by competition, or by any one general cause; and that the aggregate amount of wages is merely the sum of the particular amounts of wages determined in each case by its own special conditions.

Noting that workers cannot individually win a normal workday, he argued with Dunning and others that "it may be as necessary for workmen to combine in order to get a fair price for their labour" (Leslie 1868, 82, 94).

One of the most influential critiques was that of William T. Thornton, if only because it provided J. S. Mill with the opportunity, in reviewing it, to publicly declare the wage-fund doctrine to be without foundation. *On Labour: Its Wrongful Claims and Rightful Dues, Its Actual Present and Possible Future* was first published in 1869; the attention brought by Mill's review prompted Thornton to expand his critique in a second edition of 1870. He disputed the whole idea that the level of wages is set by supply and demand: "the theory is not simply imperfect, but radically and intrinsically unsound" (Thornton 1870, 44). He goes to great lengths to demonstrate the flawed logic of this model of wage determination. But the lasting influence of his analysis, at least that part that was accepted by Mill, resulted from his denial of the very existence of the wage fund. According to Thornton,

If there really were a national fund the whole of which must necessarily be applied to the payment of wages, that fund could be no other than an aggregate of smaller similar funds possessed by the several individuals who composed the employing part of the nation. Does, then, any individual employer possess any such fund? Is there any specific portion of any individual's capital which the owner must necessarily expend upon labour? (Thornton 1870, 84)

Clearly, he thought, the answer was no. The conclusion was obvious:

For if in the case of individual employers there be no wages funds—no definite or definable portions of their capitals which, and neither more nor less than which, they must severally apply to the hiring of labour—clearly there can be no aggregate of such funds, clearly there can be no national wages fund. And be it observed, fixity or definiteness is the very essence of the supposed wages fund. No one denies that some amount or other must within any given period be disbursed in the form of wages. The only question is, whether that amount be determinate or indeterminate. If indeterminate, it cannot of course be divided, and might as well not exist for any power it possesses of performing the sole function of a wages fund, that, viz., of yielding a quotient that would indicate the average rate of wages. (Thornton 1870, 85)

Moreover, Thornton asserted, in "all trades under the influence of unionism, wages, though subject to occasional fluctuation, have, ever since that influence began to make itself felt, been on the whole continually rising" (Thornton 1870, 253–54). He added:

To go on asserting that unionism *does* not raise wages, and that to all appearance permanently, would now-a-days be running too completely counter to every-day experience. To assert that it *cannot* raise them, is the utmost extent to which any but the hardiest theorists still venture to go. The majority of objectors no longer deny the fact: they only pronounce the fact to be impossible. According to them, whatever augmentation of wages a union may succeed in extorting, either would have eventually been conceded without the union's intervention, or will not be durable. (Thornton 1870, 279)

He concludes:

These are specimens of the sophistry, thus easily reducible to absurdity, with which, in their mania for bringing commercial phenomena under the jurisdiction of natural laws, economists of repute are doing their best to bring the science they profess into contempt. They talk of natural or scientific laws being interfered with, without considering, very likely without knowing, that a law that can be interfered with, cannot possibly be a natural or scientific law at all. They talk of laws, the very essence of which is invariable recurrence, governing operations in which the ever-varying judgments, appetites, passions and caprices of men are principal agents, necessitating continual variations. Workmen are solemnly adjured by them, in the name of political economy, not to try to get their wages raised, because success in the attempt must be followed by a fall of profits which will bring wages down again. They are entreated not to better themselves, because any temporary bettering must be followed by a reaction which will leave them as ill off as before. . . . Against such teaching, robust understandings of working men instinctively revolt.⁸ (Thornton 1870, 281–82)

The overthrow of the wage-fund doctrine is associated above all with John Stuart Mill. As the most authoritative voice of political economy since midcentury, his support for the theory had helped maintain its ascendancy. Consequently, when he declared that the doctrine was false, he did more than anyone else to undermine public confidence in it. His "recantation" was made in a review of Thornton's *On Labour* in the *Fortnightly Review* for May 1869, though he had already weakened support for the doctrine in a revised edition of his *Principles of Political Economy*. His reversal, of course, did not end all belief in the wage fund. Other economists continued to express their conviction that the doctrine, in one form or another, was true, and the debate over its legitimacy, though attenuated, continued for decades more. For all practical purposes, however, it no longer presented itself as an obstacle to the trade union movement, and labor's struggle moved into other arenas.

In 1862, Mill added the following paragraph to the fifth edition of his *Principles* (as revised in the 7th ed., 1871):

It is a great error to condemn, *per se* and absolutely, either trade unions or the collective action of strikes. Even assuming that a strike must inevitably fail whenever it attempts to raise wages above that market rate which is fixed by the demand and supply; demand and supply are not physical agencies, which thrust a given amount of wages into a labourer's hand without the participation of his own will and actions. The market rate is not fixed for him by some self-acting instrument, but is the result of bargaining between human beings. . . . [P]oor labourers who have to do with rich employers [might] remain long without the amount of wages which the demand for their labour would justify, unless, in vernacular phrase, they stood out for it: and how can they stand out for terms without organized concert? What chance would any labourer have who struck singly for an advance of wages? How could he even know whether the state of the market admitted of a rise, except by consultation with his fellows, naturally leading to concerted action? I do not hesitate to say that associations of labourers, of a nature similar to trade unions, far from being a hindrance to a free market for labour, are the necessary instrumentality of that free market; the indispensable means of enabling the sellers of labour to take due care of their own interests under a system of competition. (Mill [1909] 1987, 936–37)

This was the argument put forward by Dunning, though it was also expressed earlier in embryonic form by McCulloch. Engels, too, in his *Condition of the Working Class in England* (1845), made a similar case for trade unions, as did Marx in his reportage on the 1853 strikes in Preston. And it was implied in Adam Smith's discussion of the inequality in bargaining between capital and labor. But this analysis of labor market dynamics, while a persuasive justification for trade unionism, was not a frontal assault on the wage fund. In the case of Mill, that came in 1869, in his article in the *Fortnightly Review*.

In his review of Thornton's book, Mill reminded his readers of the commonly accepted version of the wage-fund doctrine:

There is supposed to be, at any given instant, a sum of wealth, which is unconditionally devoted to the payment of wages of labour. This sum is not regarded as unalterable, for it is augmented by saving, and increases with the progress of wealth; but it is reasoned upon as at any given moment a predetermined amount. More than that amount it is assumed that the wages-receiving class cannot possibly divide among them; that amount, and no less, they cannot but obtain. So that, the sum to be divided being fixed, the wages of each depend solely on the divisor, the number of participants. . . .

But is there such a thing as a wages-fund, in the sense here implied? Exists there any fixed amount which, and neither more nor less than which, is destined to be expended in wages?

Of course there is an impassable limit to the amount which can be so expended; it cannot exceed the aggregate means of the employing classes. It cannot come up to those means; for the employers have also to maintain themselves and their families. But, short of this limit, it is not, in any sense of the word, a fixed amount. . . .

The price of labour, instead of being determined by the division of the proceeds [of business] between the employer and the labourers, determines it. . . . There is no law of nature making it inherently impossible for wages to rise to the point of absorbing not only the funds which he had intended to devote to carrying on his business, but the whole of what he allows for his private expenses, beyond the necessities of life. The real limit to the rise is the practical consideration, how much would ruin him or drive him to abandon the business: not the inexorable limits of the wages-fund. . . .

The doctrine hitherto taught by all or most economists (including myself), which denied it to be possible that trade combinations can raise wages . . . is deprived of its scientific foundation, and must be thrown aside. The right and wrong of the proceedings of Trade Unions becomes a common question of prudence and social duty, not one which is peremptorily decided by unbending necessities of political economy. (Mill [1909] 1987, 992–93)

Mill thus renounced his faith in the wage-fund theory, but he had nothing with which to replace it. He made

some suggestive comments on the role of trade unions, not only insofar as they affected wages but their potential for influencing the position in society of the working class as a whole, but these were hardly more than hints, relatively meager offerings from an otherwise massive output.

NOTES

1. Schumpeter similarly observed that Jones "accepted the wage-fund doctrine fully for wages that are paid out by modern business," while denying its validity for much of history (Schumpeter 1954, 669n). He was identified as a critic of the doctrine also in Breit 1967a, Gordon 1973, McNulty 1980, and Vint 1994.

2. Marx cited this remark in *Capital*, commenting: "The bourgeois economist whose narrow mind is unable to separate the form of appearance from the thing that appears, shuts his eyes to the fact, that it is but here and there on the face of the earth, that even nowadays the labour fund crops up in the form of capital" (CW35, 568).

3. Jones conceived "*variable capital* as merely a *particular historical form of appearance* of the labour fund," demonstrating "how this fund assumes different forms in different epochs" (CW34, 216).

4. He is not to be confused with Thomas Dunning (1813–94), the Chartist and leader of the Nantwicl Shoemakers.

5. Dunning was no radical. Under his leadership the Bookbinders Society declined to affiliate with the International Workingmen's Association, although the breakaway group of Day-Working Bookbinders joined in 1866. He attacked the Paris Commune in the labor newspaper *The Bee-Hive* and criticized its English defenders. He was "a consistent opponent of 'Red Republicanism' throughout his career" (Collins and Abramsky 1965, 199). For more on Dunning, see Harrison 1965.

6. The Webbs, however, thought that Dunning's essay was "read and praised, but not heeded, by J. S. Mill" (Webb 1920b, 618).

7. Dunning's position has been sometimes falsified, it being argued that he believed that "the only worthwhile object of trade unions, given the wage fund theory, would be to provide a fund for the support of the members when unemployed" (Breit 1967b, 511n). It has been also stated that he "accepted the wages fund doctrine and its implications" (Vint 1994, 142n).

8. It "is fortunate that the workers, though unconsciously, are instinctively more reasonable economists than the classical school, inasmuch as they resist reductions of money wages" (Keynes [1936] 1964, 14).

Chapter 6

Radical and Early Socialist Critics of Political Economy

Because a thing was, they thought it could not be otherwise. . . . The abuses of society were to them as sacred as its primary and fundamental institutions. . . . Political economy thus treated became perverted in all her principles. She was made the close ally of self-interest and corruption; it was in the armory of her terms that tyranny and oppression found their deadliest weapons.

—Piercy Ravenstone

Opposition to the doctrines of political economy first took shape in response to Malthus, whose vision of life as a private banquet, to which the masses were uninvited, or a lottery, for which most people "have drawn a blank" (Malthus 1960, 74), provoked an outpouring of rage, indignation, and cool analysis. Malthus in turn was responding to the threat to the social order implied by the deepening misery endured by working people, and particularly to the ideological challenge voiced by William Godwin and other egalitarians. The "population doctrine" and the radical critique of it were each therefore an expression of the developing antagonism between the two great social classes engendered by the rising industrial system (even if Malthus himself represented the landowning class rather than manufacturers).

Working-class resistance to the rule of capital later found organizational and intellectual expression in three principal forms—Chartism, socialism, and trade unionism. The rise of proletarian opposition to political economy cannot be understood apart from these great popular movements and the social forces that were driving them. Though our focus will remain on the theoretical critique of political economy, it evolved along with and on the basis of the developing political consciousness of the workers on whose behalf it spoke.

Godwin's influence, though perhaps indirect, was far-reaching, and his *Enquiry Concerning the Principles of Political Justice, and Its Influence on General Virtue and Happiness*, originally published in 1793, contained a powerful argument for social justice that resonates throughout the best of all socialist writing:

Every man may calculate, in every glass of wine he drinks, and every ornament he annexes to his person, how many individuals have been condemned to slavery and sweat, incessant drudgery, unwholesome food, continual hardships, deplorable ignorance, and brutal insensibility, that he may be supplied with these luxuries. It is a gross imposition, that men are accustomed to put upon themselves, when they talk of the property bequeathed to them by their ancestors. The property is produced by the daily labour of men who are now in existence. All that their ancestors bequeathed to them, was a mouldy patent, which they show, as a title to extort from their neighbours what the labour of those neighbours has produced.¹ (Godwin 1971, 283–84)

Godwin also wrote a rebuttal to Malthus, in which he charged that "Mr. Malthus is upon all occasions an advocate for low wages" (Godwin [1820] 1964, 598). Basing himself on the writing of Adam Smith, Godwin simply urged equitable treatment of working people in the matter of wages; he did not develop an economic critique on which the working class could develop a program. The first writer to produce such a critique of capitalism was the little-known Charles Hall.

The Effects of Civilization on the People in European States by Charles Hall was published in London in 1805. It was "the first interpretation of the voice of rising Labour" (Beer 1953, vol. 1, 127) although Hall, a medical doctor, was unconnected with any labor or political organization. However, "his work was known and appreciated in radical and Owenite circles" (Dinwiddy 1979, 201). William

Cobbett, for instance, drew on Hall's analysis of surplus labor for a critique of Malthus in his *Political Register*. Strangely, neither Marx nor Engels indicates having any knowledge of him; there is no reference to Hall nor to his book in any of their writings. *The Effects of Civilization*, to which was later appended his *Observations on Malthus*, was reprinted in 1813, 1820, and 1850.

As a physician, he spoke with authority when he claimed that the "employments of manufacturers are all injurious to the health of the body, and the improvement of the mind" (Hall [1805] 1965, 19). Of course, Adam Smith had said as much, but Hall begins where Smith left off. Also suggested by Smith, and presented more starkly by Godwin, was Hall's notion of capital as something that "gives power over, and commands the labour of man" (Hall [1805] 1965, 48).² His inquiry into the nature of capital and its effects on working people was the earliest treatment of this question.

The manufacturer therefore forces his workmen to work for him, and to give him a share of what the work produces . . . for, the poor are under a necessity of working for him on the terms held out, or go without the things on which they subsist. They have no alternative but to work for him, or for another from whom they can have no other terms. There is no voluntary compact equally advantageous on both sides, but an absolute compulsion on the part of masters, and an absolute necessity on the part of the workman to accept of it; and which, therefore, might be considered just as the taking so much from the workman by the master: and, of course, fortunes amassed in this manner cannot be just. (Hall [1805] 1965, 72–73)

This analysis, implicit in Turgot and Smith, even explicit in Necker and Linguet, was developed for the first time in Hall's work, providing a clear statement, not just of the inequality inherent in the wage relation, but of the fountainhead of modern socialism—the idea of surplus labor. He quantifies for the first time in the history of economic analysis the relation between necessary and surplus labor.

Much as Dunning did later, Hall explains the market forces shaping the purchase and sale of labor power:

It is obvious that the interest of the buyer and seller is, in every case, opposite. It is the interest of the buyer to give as little for what he buys as he can get it for. It is the interest of the seller to get as much for what he sells as he can get for it. Every rich man is to be considered as the buyer, every poor man as the seller, of labour. It is for the interest of the rich man to get as much of the work of the poor man and to give him as little for it as he can; in other words, to get as much of the labour, and to give the labourer as little of the produce of that labour as he can help; the less of the product of his labour, the labourer himself is suffered to consume, the more is left to his employer to take to himself. (Hall [1805] 1965, 110–11)

From this analysis, he provides a theoretical justification for trade unions and strikes. Long before Mill, Dunning, or McCulloch found the capitalist labor market to be a faulty mechanism for arriving at a just price, Hall demonstrated the fallacy of the wage-fund doctrine:

The opposition of interest between the poor and the rich is said to be counter-acted and cured by the competition subsisting between the masters or employers; but we shall see that in fact it is no cure. . . . The workmen endeavour to raise [the proportion of the produce of their labour that is allowed them]; but, being very unequally matched, for the most part, with little success. It has been taken notice of, that the manufacturers, in their disputes with their masters, are generally worsted. If they strike their work with this view, as what they have beforehand is generally very little, they cannot hold out long, but are, like a garrison short of provisions, obliged to capitulate on the best terms they can get. We need not observe that this, the only method they have of redressing their grievances, is frequently crushed by the military.

If the poor manufacturers are not allowed to strike their work, they are debarred the right and advantage that all other people have in their dealings— of refusing to take what is offered to them if they think proper. This, together with their having no means of standing out, through their want of immediate supplies, renders them incapable of making a good bargain with their masters; and the price of their labour is constantly diminishing, though the nominal or money price is increasing. (Hall [1805] 1965, 111–13)

This results in surplus labor being appropriated by the capitalist. Though this was discussed in the *Wealth of Nations*, Hall takes the analysis much further. From data showing total production equaling £312 million, with the total income of working people said to be £40 million, he concludes that only about one-eighth of the produce of their labor is returned to working people, "or the produce of one-eighth part of their time."

If this statement is true, eight-tenths of the people consume only one-eighth of the produce of their labour; hence one day in eight, or one hour in a day, is all the time the poor man is allowed to work for himself, his wife and his children. All the other days, or all the other hours of the day, he works for other people. (Hall [1805] 1965, 118–19)

Hall's concrete representation of the appropriation of surplus labor, of the division of the workday between necessary and surplus labor, was the basis for all subsequent analysis of this question.

In his *Observations on the Principal Conclusion in Mr. Malthus's Essay on Population*, he applies this to rebut the Malthusian population doctrine:

The treatment of this labouring man, I cannot help saying, appears to me not only inhuman to the last degree, but unjust and iniquitous. I will ask, why is he thus treated? Because, it will be answered, he does not produce by his labour sufficient to maintain his family.—But, I say he produces six or eight times as much as his family consumes or requires, but which is taken from him by those who produce nothing. . . . It is not true that he has *doomed himself*, or that nature has doomed *him, and his family, to starve*; that cruel doom is brought on him by the rich. (Hall [1805] 1965, 340–41)

In 1821, *The Source and Remedy of the National Difficulties, Deduced from Principles of Political Economy, in a Letter to Lord John Russell* was published anonymously in London. Marx believed that this small pamphlet "contains an important advance on Ricardo," in that it describes "surplus labour" as the original form of surplus value or profit. "Important as it was to reduce *value* to labour, it was equally important [to present] *surplus-value*, which manifests itself in *surplus product*, as *surplus labour*. This was in fact already stated by Adam Smith and constitutes one of the main elements in Ricardo's argumentation. But nowhere did he clearly express it and record it in an *absolute form*" (Marx 1971, 238–39).³

According to the unnamed author, "it is universally held, that LABOUR IS THE SOURCE OF ALL WEALTH AND REVENUE" It does not matter how this revenue comes to us, or in what form it arrives—rent, profits, salary, tithes—"it must be originally derived from labour—either our own labour, or the labour of others." From this first principle, "it follows conclusively that THE WEALTH OF A NATION as of an individual, CONSISTS IN ITS RESERVED LABOUR the stores either of money, machinery, manufactures, or produce, &c." The wealth of a nation, therefore, "CONSISTS IN ITS RESERVED SURPLUS LABOUR by which I mean the reserved labour beyond its usual and necessary consumption." The "*surplus labour* of a man," consequently, is that "labour of the individual beyond what is exclusively appropriated to the maintenance and enjoyment of himself and family." It is only necessary to add that "RESERVED SURPLUS LABOUR CAPITAL, and further, that reserved SURPLUS LABOUR OR CAPITAL HAS A POWER OF REPRODUCTION of FACILITATING PRODUCE *when invested in machinery, lands, agricultural improvements, &c. &c.*" (*Source and Remedy* 1821, 2–4).

From these premises, which are not in question, it may be asked what results would follow, if the accumulation of capital were applied to the welfare of all of society:

[W]here men heretofore laboured twelve hours they would now labour six, and *this* is national wealth, this is national prosperity. After all their idle sophistry, there is, thank God! no means of adding to *the wealth of a nation* but by adding to the facilities of living: so that wealth is liberty—liberty to seek recreation—liberty to enjoy life—liberty to improve the mind: it is disposable time, and nothing more. (*Source and Remedy* 1821, 6)

This leads to the next question:

How is it . . . that notwithstanding the unbounded extent of our capital, the progressive improvement and wonderful perfection of our machinery, our canals, roads, and of all other things that can either facilitate labour, or increase its produce; our labourer, instead of having his labours abridged, toils infinitely more, more hours, more laboriously, than the first Celtic savage that . . . took possession of the desert island? (*Source and Remedy* 1821, 7)

Clearly, the people are subjected to poverty, overwork, and distress. What is the source of these difficulties?

The first dead weight that hangs on to impede [society's] progress [toward that state when leisure and abundance for all prevail], is *the possessor of capital, who, no longer uniting his labour to the labour of society, maintains himself on the interest, or the surplus labour of others.* (*Source and Remedy* 1821, 8)

Indeed, "the whole of the distress now experienced in this country" originates in an unnatural increase of capital that has been concentrated in private hands. There is, in other words, "an unnatural disproportion between the productive and unproductive classes, or to speak still more correctly, *enabling the unproductive classes to exact more than their capital is worth from the productive classes*" (*Source and Remedy* 1821, 12).

It is admitted that the interest paid to the capitalists, whether in the nature of rents, interests of money, or profits of trade, is *paid out of the labour of others.* . . . [But] whatever may be *due* to the capitalist, he can *only receive* the *surplus* labour of the labourer; for the labourer *must live*; he must satisfy the cravings of nature before he satisfies the cravings of the capitalist. . . . [T]he capitalists will exact from the labourers the produce of every hour's labour beyond what it is *possible* for the labourer to subsist on: and however horrid and disgusting it may seem, the capitalist may eventually speculate on the food that requires the least labour to produce it, and eventually say to the labourer, "You sha'n't eat bread, because barley meal is cheaper; you sha'n't eat meat, because it is possible to subsist on beet root and potatoes." *And to this point have we come!* (*Source and Remedy* 1821, 23–24)

Hall's analysis of surplus labor is graphically applied:

Why, if the labourer can be brought to feed on potatoes instead of bread, it is indisputably true that more can be exacted from his labour; that is to say, if when he fed on bread he was obliged to retain for the maintenance of himself and family, the labour of Monday and Tuesday, he will, on potatoes, require only the half of Monday; and the remaining half of Monday and the whole of Tuesday are available either for the service of the state or the capitalist. (*Source and Remedy* 1821, 26)

What is the result? "Notwithstanding 'the growing wealth and prosperity' of this country, the situation of the labourer has been getting worse and worse daily and hourly these two hundred years" (*Source and Remedy* 1821, 26). Readers might well infer that it was not the increase of population, as Malthus said, that is responsible for the "increase of your poor-rates," rather, it is "attributable to the extreme exactions of capital" (*Source and Remedy* 1821, 30). The excessive appropriation of surplus labor by capital has diminished that share of the produce of labor on which the worker must subsist. In other words, the "whole argument [has] been to shew, that the labourer is not now paid enough" (*Source and Remedy* 1821, 39).

A Few Doubts as to the Correctness of Some Opinions Generally Entertained on the Subjects of Population and Political Economy by Piercy Ravenstone was published in London in 1821. This was followed in 1824 by *Thoughts on the Funding System and Its Effects* which Marx called a "most remarkable work" (Marx 1971, 257). He cited Ravenstone in *Capital* and discussed him at some length in *Theories of Surplus-Value*, comparing his views on capital and surplus labor with those of the author of *The Source and Remedy*.⁴ (It was first suggested by M. Beer that "Piercy Ravenstone" is pseudonymous

while this is now the general view, there remains disagreement on Ravenstone's identity.)

Scornful of the Malthusian doctrine, Ravenstone writes:

Men, it is now discovered, grow more readily than plants. The renovation of a people is a work of more ease than that of its fields. Human beings overrun the world with the rapidity of weeds. Hence that degradation of the species, hence that hopeless misery which baffles every effort of the poor. . . . As their wants grow faster than their means of supply, their ordinary condition is a state of mitigated famine. As there is not a sufficiency for all, each man's share must, in the division, necessarily be abridged. (Ravenstone [1821] 1966a, 4–5)

Mocking its absurdities, he continues:

[A]ll exertions of industry would be vain, all the labour employed in their cultivation would only be thrown away, unless regularly put in motion by capital, the occult principle of this system. The fertility of the earth is entirely owing to the application of that metaphysical existence, capital. The rich, it is now discovered, give bread to the poor. Labour owes its support to idleness. Those who produce every thing would starve but for the assistance of those who produce nothing. The numbers of the poor are to be checked by all possible means: every impediment is to be thrown in the way of their marriages, lest they should multiply too fast for the capital of the country. The rich, on the contrary, are to be encouraged; every thing is to be done for their benefit. For though they produce nothing themselves, though they live entirely on the labours of others, their capital is the cause of every thing produced; it gives fertility to our fields, and fecundity to our flocks. (Ravenstone [1821] 1966a, 5)

Employing the concept of surplus labor to demystify capital, Ravenstone exposes the pretensions of the wage-fund apologists:

Effects which proceed solely from human regulations are looked upon as derived entirely from natural causes. It is laid down as a law of our nature, that at all times the labouring classes must be content with a bare subsistence; that the competition for employment will always reduce the wages of labour to the lowest possible sum. This whole reasoning proceeds entirely on a fallacy; it assumes, that the produce of a man's labour is not greater than the expense of his subsistence. (Ravenstone [1821] 1966a, 229–30)

The surplus of the artisan's labour is not less than that of the cultivator; what, in the produce of land, is called rent, in the produce of other labour, is called profit. . . . The fund for the maintenance of the idle is the surplus produce of the labour of the industrious. (Ravenstone [1821] 1966a, 226, 233)

While only vaguely locating the appropriation of surplus value in the production process, Ravenstone focuses on the thought that the power of capital to command the labor of others and accumulate in its hands the surplus produce of society is responsible for the increasing misery of working people and the profligacy of the rich. He writes:

The seeming prosperity of such a country ill disguises its wretchedness. The towns flourish at the expense of the country. It is on the ruin of her cottages that her palaces are built. The shops are full because the warehouses are empty. The idle fatten on the spoils of the industrious. . . .

[I]t is only by capital a man can acquire a command over the industry of others. Though it adds nothing to the wealth of the nation, it contributes much to the aggrandizement of individuals. It enables them to purchase, indirectly, the labour of so many slaves. It makes rich tradesmen and poor artisans. (Ravenstone [1821] 1966a, 335–36)

Opposing the claims of political economy, it is labor, he writes, not capital, that is the productive power:

When the labour of one half of the members of a society suffices to procure subsistence for the whole, the

other half will live in idleness. . . .

So far from population pressing at all times upon the limits of subsistence, it is to the increase of numbers that the comforts of life owe their full development. Every addition to the numbers of a people extends in more than a proportionate degree the limits of its means of subsistence. (Ravenstone [1821] 1966a, 174–75)

The doctrine of capital and its effects is indeed the most injurious to society that ever was broached. To teach that the wealth and power of a nation depend on its capital, is to make industry ancillary to riches, to make men subservient to property. (Ravenstone [1824] 1966b, 7)

What is more than is required for the maintenance of those who toil, is reserved for the support of a portion of the society which is allowed to live in idleness. (Ravenstone [1824] 1966b, 11)

The more productive is labor, the more is added to "the income of the idle." The owners of capital "have usurped . . . the earnings of the labourer" (Ravenstone [1821] 1966a, 201). This, Ravenstone suggests, is accomplished through corn laws and taxes of all kinds on articles of consumption. "The artificial price which unjust laws have given to corn have reduced the wages of the labourer to the lowest sum on which he can subsist" (Ravenstone [1824] 1966b, 23). Ravenstone realizes that the appropriation of surplus value is impoverishing the workers and allowing the rich to live in idle luxury, but his argument — forceful and eloquent though it is—is weaker in certain respects than that of Hall's or of *The Source and Remedy*, which stated that the extraction of surplus value occurred at the point of production. The connection that Ravenstone makes between low wages and high profits does not adequately represent the real nature of the labor process and the role of capital, which

being only a transfer of the earnings of the industrious to the idle, must necessarily be most abundant where labour is least paid, and most scanty where the labourer retains for himself the greatest portion of his earnings. . . . The idle man is richer only because the industrious man is worse paid. The wealth of the one is the poverty of the other. . . . The labourer is poor, for his share of the produce of his earnings is small. The capitalist is rich, for his share is large. Where labour is least paid, the gains of the master must be greatest. (Ravenstone [1821] 1966a, 207, 219, 365)

In his discussion of Ravenstone, Marx observed that "it was natural for those thinkers who rallied to the side of the proletariat to seize on [the] contradiction" between political economy's treatment of labor, as the source of value and the only active creator of wealth, on the one hand, and its elevation of the role of capital, on the other, as the ruling principle of the economy, requiring labor's complete subjection. These thinkers say to political economy: "You have refuted yourselves. Capital is *nothing* but defrauding of the worker. *Labour is everything*." Continuing, he adds:

This, in fact, is the ultimate meaning of all the writings which defend the interests of the proletariat from the Ricardian standpoint basing themselves on his assumptions. Just as little as he [Ricardo] understands the identity of *capital* and *labour* in his own system, do they *understand* the contradiction they describe. (Marx 1971, 260)

Thomas Hodgskin's *Labour Defended Against the Claims of Capital. Or, The Unproductiveness of Capital Proved with Reference to the Present Combinations Amongst Journeymen* was published in 1825, following the repeal of the Combination Laws and in the midst of an ensuing strike wave. It was written during an intense public debate on the question of trade unionism, and was intended as a justification not only of strikes and demands for higher wages, but also the proposition (although he was no socialist) that "the whole produce of labour ought to belong to the labourer" (Hodgskin [1922] 1969, 83).

Throughout the country at present there exists a serious contest between capital and labour. The journeymen of almost every trade have combined to obtain higher wages, and their employers have appealed to the legislature for protection. The contest is not only one of physical endurance, or who can

stand out longest, but of argument and reason. It is possible for the workmen to force their masters into compliance, but they must convince the public of the justice of their demands. (Hodgskin [1922] 1969, 21)

Repeal of the Combination Laws marked a new epoch.⁵ "From that day," Engels said, "Labour became a power in England" (CW24, 384). *Labour Defended* gave expression to this turning point by the unqualified support it gave to labor's struggle and to its independent organization in the form of trade unions, while challenging the ideological dominance of capital as manifested in the doctrine of political economy.

Hodgskin thus represents this new epoch in the development of the working class, not only because he was the first to defend trade unions and wage struggles, but because he gave voice to what working people had already been saying. For instance, an article in the *Trades' Newspaper* in 1825, the year that *Labour Defended* was published, was entirely clear on the relation of wages to collective bargaining:

Wages, in most cases, are regulated in a great degree *by the power* the men have to oppose their masters. This is one reason why in some trades they are well paid, in others badly. . . . Among masters there exists one general feeling to get work done as cheap as they can. . . . To tell men that their bad pay and poverty arises from there being too many people will never be believed while there is in the country far more than a sufficiency of food for the whole. (cited in Prothero 1979, 228)

Even earlier, before the repeal of the Combination Laws, the opposition between labor and capital and the necessity for trade union struggles were stated unambiguously. An article in the radical paper *The Gorgon* in 1818 (the year of Marx's birth) declared:

[W]e had always thought that the prosperity of masters and workmen were simultaneous and inseparable. But the fact is not so, and we have no hesitation in saying that the cause of the *deterioration* in the circumstances of workmen generally, and the different degrees of deterioration among different classes of journeymen, depends entirely on the degree of perfection that prevails among them, which the law has pronounced a crime—namely, combination. The circumstances of the workmen do not in the least depend on the prosperity or profits of the masters, but on the power of the workmen to *command*—nay to *extort* a high price for their labour. (cited in Thompson 1963, 773)

Marx described Hodgskin as "one of the most significant modern English political economists" (CW34, 407n), citing him in *Capital* and examining his work in *Theories of Surplus-Value*.⁶ Hodgskin, he wrote, accepts "all the economic pre-conditions of capitalist production as eternal forms and only desire[s] to eliminate capital, which is both [their] basis and necessary consequence" (Marx 1971, 260). As was true with other writers in this period who defended the rights of labor, particularly the socialists William Thompson and J. F. Bray, Hodgskin utilized the value theory of Ricardo to denounce the appropriation of surplus value by capital, since it amounted to an "unequal exchange." He said he wanted to disprove the doctrines of political economy meant to justify capital and its relationship to labor, in which the worker is "condemned to hopeless poverty and degradation" (letter to Francis Place, May 28, 1820; cited in Halévy 1956, 74).

Ricardo's theory, he wrote in *Labour Defended*, supports his own view "that the exactions of the capitalist cause the poverty of the labourer. . . . The labourer must, however, live, though the exorbitant claims of capital allow him only a bare subsistence" (Hodgskin [1922] 1969, 80–81). His critique of the role of capital also included an attack on the wage-fund doctrine.

In all the debates on the law passed during the late session of Parliament, on account of the combinations of workmen, much stress is laid on the necessity of protecting capital. What capital performs is therefore a question of considerable importance, which the author was, on this account, induced to examine. As the result of this examination, it is his opinion that all the benefits attributed to capital arise from co-existing and skilled labour. He feels himself, on this account, called on to deny that capital has any just claim to the large share of the national produce now bestowed on it. This large share he has endeavoured to show is

the cause of the poverty of the labourer; and he ventures to assert that the condition of the labourer can never be permanently improved till he can refute the theory, and is determined to oppose the practice of giving nearly everything to capital. (Hodgskin [1922] 1969, 19)

Following the analysis of Godwin, Hall, and others, Hodgskin sees the extraction of surplus value as the result of a coercive relationship, in other words, "profit is derived . . . from the power which the capitalist has over the labourer" (Hodgskin [1922] 1969, 70). In his letter to Place he had said that "the wages of labour in European society at present must be considered as the reward given by masters to *slaves*" (cited in Halévy 1956, 74). It is the power of the capitalist, not the power of capital, that defines the wage relation. This analysis of capital as a relation, rather than a thing, is a crucial distinction made by the critics of political economy, including Marx, who wrote: "The economists are led into all manner of difficulties by their way of conceiving capital purely in its physical aspect, as instrument of production, and ignoring the economic form, which is what makes the instrument of production capital" (CW28, 510). (Marx went a step further than the radicals, however, and in addition to viewing capital as a relation analyzed it as a *process*.) According to Hodgskin: "One is almost tempted to believe that capital is a sort of cabalistic word, like Church or State, or any other of those general terms which are invented by those who fleece the rest of mankind to conceal the hand that shears them" (Hodgskin [1922] 1969, 60). As Marx also said, "capital is nothing but a *name* invented to defraud the masses" (CW34, 407).

The whole basis for the wage-fund doctrine, the idea that the condition of working people depends on an employment-giving stock of capital, is thus an illusion. Hodgskin writes:

[T]he success and productive power of every different species of labour is at all times more dependent on the co-existing productive labour of other men than on any accumulation of circulating capital. . . . [I]t is by the command the capitalist possesses over the *labour of some men*, not by his possessing a stock of commodities, that he is enabled to *support* and consequently employ other labourers.⁷

Thus, "An elaborate theory has been constructed to show that there is a *natural* tendency in *population* to increase faster than *capital*, or than the means of *employing labour*. . . . If my theory of capital be correct, this, as a theory of nature, falls at once baseless to the ground." Working people must realize, therefore, that "The most successful and widest-spread possible combination to obtain an augmentation of wages would have no other injurious effect than to reduce the incomes of those who live on profit and interest, and who have no just claim but custom to any share of the national produce" (Hodgskin [1922] 1969, 51–52, 107, 92).

Hodgskin thought that "the overwhelming nature of the demands of capital" are responsible for keeping "the labourer in poverty and misery" (Hodgskin [1922] 1969, 80), but he did not understand, any more than other economists before Marx, the exact process by which this took place. His remedy, therefore, was a vague, backward-looking proposal that "the whole produce of labour ought to belong to the labourer." He realized that "there is a difficulty in its practical application," since there is "no principle or rule . . . for dividing the produce of joint labour among the different individuals who concur in production." Because of changes in the organization of industry, in which production is carried out according to an extensive division of labor, "there is no longer any thing which we can call the natural reward of individual labour." Consequently, the only way to allocate the produce of industry is to leave "it to be settled by the unfettered judgments of the labourers themselves" (Hodgskin [1922] 1969, 83–85).

Hodgskin's willingness to trust the informed intelligence of working people and his contact with working-class leaders and organizations taught him to value the class struggle as a means of political education. In this respect too, therefore, *Labour Defended* strikes a new note:

In truth, also, however the matter may be disguised, the combinations among workmen to obtain higher wages, which are now so general and so much complained of, are practical attacks on the claims of capital. The weight of its chains are felt, though the hand may not yet be clearly seen which imposes them. Gradually as the resistance increases, as laws are multiplied for the protection of capital, as claims for higher wages shall be more strenuously and more violently repressed, the cause of this oppression will be

more distinctly seen. (Hodgskin [1922] 1969, 103)

In 1827, Hodgskin published his *Popular Political Economy*, based on lectures he had given at the London Mechanics' Institution. It is a less cogent work than *Labour Defended*, reflecting the different circumstances in which it was written, though it displays the same incisiveness in its criticism of orthodox economic opinion. Political economists, Hodgskin says, have "brought the science into disrepute by siding with those who call themselves the ministers of Providence, and who loudly proclaim the doctrine, that the poverty of the labourer is one of its dispensations."

The distress our people suffer, therefore, and the poverty we all complain of, is not caused by nature, but by some social institutions, which either will not allow the labourer to exert his productive power, or which rob him of its fruits. I can never, therefore, join with those Political Economists, who seem even to be fond of calumniating Nature in order to uphold our reverence for the institutions of man. All the arguments they have urged in justification of their views, seem to be founded on the effects of some social institutions, which they assume to be natural laws. (Hodgskin [1827] 1966, 266, 268)

William Thompson was one of the most important pioneers of socialist thought, a thinker who expressed humane and enlightened views on a variety of subjects. His major work, the monumental *An Inquiry into the Principles of the Distribution of Wealth Most Conducive to Human Happiness; Applied to the Newly Proposed System of Voluntary Equality of Wealth*, published in London in 1824, established him as the leading theorist of the Owenite movement. Thompson, who was Irish, is also well known for his advocacy of women's emancipation. In his *Principles of the Distribution of Wealth*, a defense of socialist economic organization, he asks:

How comes it that the fruits of the labor of the industrious, after years of incessant and successful exertion, are mysteriously and without imputation of fault to them, without any convulsion of nature, swept away? . . .

To what but to a *vicious distribution of wealth* can this extraordinary phenomenon be attributed?

The present economic system has enriched "a few at the expense of the mass of the producers," and has made "the poverty of the poor more hopeless." There is, Thompson says, an "every-day increasing tendency to poverty on the part of the many" (Thompson [1824] 1963, xv–xvii).

Thompson's attacks on capital are spirited and his appeals for social justice eloquent, but his analysis does not penetrate the inner dynamics of the capitalist mode of production. He does not understand the real nature of capital, other than that it has unjustly appropriated to itself the wealth of society.⁸ On it, he writes, has been founded "the insecurity and oppression of the productive laborer." It is responsible for "the enormous usurpations over the productive powers" of labor by those who "acquired the possession" of the accumulated wealth of the community:

Hence the opposing claims of the capitalist, and the laborer. The capitalist getting into his hands, under the reign of insecurity and force, the consumption of many laborers for the coming year, the tools or machinery necessary to make their labor productive, and the dwellings in which they must live, turned them to the best account, and bought labor and its future products with them as cheaply as possible. The greater the profit of capital, or the more the capitalist made the laborer pay for the advance of his food, the use of the implements or machinery, and the occupation of the dwelling, the less of course remained to the laborer for the acquisition of any other object of desire. With this explanation it is a self-evident proposition, that the higher the profits of capital—*other things remaining the same*—the lower must be the wages of labor. . . . It became a part of the standing policy of the commercial system *to keep down the wages of labor*. . . .

The paramount mischief [of the capitalist system is that the capitalists] acquire the absolute regulation of the remuneration of all the productive laborers of the community, and possess the faculty of forcing that community or any portion of it to starve, whenever, from whatever causes, the exercise of their industry does not . . . yield such a return as will not only give ordinary support to the laborers, but also that

quantum of the products of the labor to themselves, under the name of profits on capital, which they have been accustomed . . . to look upon as their due. (Thompson [1824] 1963, 421–22)

Thompson's analysis, even insofar as it attempted a critical analysis of the capitalist system, does not go deeply into the nature of the wage relation. The *Distribution of Wealth* is not so much a critique of political economy as it is a defense of a socialist reorganization of society. More pertinent is his *Labor Rewarded. The Claims of Labor and Capital Conciliated: or, How to Secure to Labor the Whole Products of Its Exertions*. This work was written in response to Hodgskin's *Labour Defended*; though completed in 1825, it was not published until 1827. Hodgskin had recommended a productive system based vaguely on individual ownership, an artisanal utopia of sorts, while Thompson advocates a socialist solution. In the course of his critique he addresses more immediate concerns of labor, particularly the role of trade unions and their influence on the level of wages. This discussion, as much as anything he wrote, had a lasting influence on socialist thought.

As before, his discussion of capital and its relation to labor is not the strongest part of his analysis. He knows that the capitalist receives more from his exchange with the laborer than he should, but Thompson cannot really explain why this occurs.

By unjust *exchanges*, then, supported by force or fraud, whether by direct operation of law, or by indirect operation of unwise social arrangements, are the products of the labor of the industrious classes taken out of their hands. . . . [It is] the complicated system of exchanges of those productions [of different laborers] when made, that gives rise to that frightful inequality of wealth with all its train of physical and social evils, which we every where behold. (Thompson [1827] 1969, 12)

Capital, devoid of any useful attributes, is simply "lucky or dexterous in the mere tricks and over-reachings of exchanges, in the turns of the market," thus acquiring "enormously unequal shares of the national produce" (Thompson [1827] 1969, 23). Apart from individual ownership, there is nothing inherent in the production process, nothing in the fundamental relation between capital and labor, that is responsible for the extraction of surplus value. Rather, it is a result of the exchange process:

As soon as any laborer effecting an exchange, receives more than a just equivalent, more than will replace to him the original material (or the labor of its production) which he gave in exchange; that moment the laborer assumes, for so much, the character of capitalist: *he lives for so much on the labor of others* without real equivalent. (Thompson [1827] 1969, 16)

His discussion of the role of trade unions and their influence on the rate of wages is, though ambivalent, more balanced than the Owenites' later attitude on this question. While he acknowledged the unions' limited ability to maintain the level of wages somewhat above the minimum, he criticized them for becoming an "aristocracy." Still, he did not develop much of an analysis of wages, leaving their determination entirely to supply and demand. The amount of wages, he writes,

is no where regulated by calculations of difficulty, hardship, unhealthiness, strength, skill, utility of the work, mental effort as compared with muscular, or good disposition (inclination to industry) of the laborer; but by a variety of accidents and chances, comprised in the phrase "proportion of supply to demand," and entirely independent of regular connexion with any of these circumstances. (Thompson [1827] 1969, 33)

This being the case, the "highest price which Free Competition will enable Unions of the industrious to obtain for their labor" is that "which will permit the capitalists in their line of industry to reap the same profits that other capitalists in the same line, or in other equally hazardous lines, reap from their capital" (Thompson [1827] 1969, 78). As a result, therefore,

the benefit of these voluntary unions to the industrious classes, are almost entirely limited to times of

ordinary or extraordinary prosperity of their trades. In a declining state of trade . . . voluntary unions . . . must be inoperative. The motives arising from individual want become so strong, and the mass of misery so immense, during the decline or even stagnation of trades, that adequate relief is altogether out of the reach of unions. . . .

Here then we have the limit of the benefits to the industrious which the union of those of any particular trade in any particular district, can, in times of ordinary prosperity, effect. It will prevent wages from falling by individual competition amongst the workmen for any length of time, much beneath that remuneration which capitalists elsewhere give, retaining the usual rate of profits. Those of the industrious who are discharged by the avarice of individual capitalists for not underworking, being supported by the general fund of the union while out of employ, a very strong bar is thus raised by the industrious against any partial, unjustifiable reduction of wages, leading naturally to more extensive reductions, to privations, want, and misery. This is the utmost of the triumph to which such unions can look forward. They merely ward off a portion of the avoidable evil of the Competitive System. Every one of the Industrious Classes however, who wishes to ward off from himself and his fellow-creatures this portion of evil, ought to be a member of such voluntary and peaceable associations. (Thompson [1827] 1969, 78–79)

Thompson's support for trade unionism, however, was limited to those organizations that neither excluded any worker from their ranks nor resorted to any form of compulsion:

The expedient . . . by which *voluntary* unions endeavour to avert the evils of individual competition from their particular trades or departments of labor, is quite pure and unobjectionable: it seeks not to exclude any from improving themselves and exchanging their labor: it endeavours only to *persuade* them not to exchange it under the terms which the majority of laborers think actual circumstances will afford. (Thompson [1827] 1969, 76)

Thompson asserts that the workers' position in capitalist society is hopeless, but he does not connect their misery with any political struggle they might make that would result in a socialist transformation. So while he sees the limitations and even to some extent the accomplishments of trade unions, he is only dimly aware of the role they might have in helping bring about a new society. Nor does he regard the immediate results of their struggle as anything but an artificial, almost undeserved amelioration:

It may be that skill, utility, and great demand, may happen to coincide: but this is purely accidental. Apprenticeships, corporations, guilds, and latterly, free unions amongst the industrious themselves of a particular trade, are the circumstances which now give a factitious elevation to the remuneration of particular classes of laborers; while the great mass of the industrious remain at that *competitive* point of remuneration which enables the laborers to live out their average round of years, and to leave behind them a new race to continue the routine of unattractive, unrequited, toil. Those classes of trades or subdivisions of classes which are the best remunerated . . . are the mere *aristocracy* of trades, possessing no superior utility, skill, or good disposition, with no more pretensions to superior merit than any other aristocracies, but frequently partaking of the vices of all aristocracies, full of unsocial antipathies to those less remunerated than themselves.⁹ (Thompson [1827] 1969, 32)

Although he fails to grasp the emancipating aspects of the class struggle (this was characteristic of the Owenite movement, as it was of all pre-Marxian socialism), Thompson does see important, redemptive features of trade unionism, aside from their material benefits. He was also among the first to affirm the need for trade unions to resist the impulse toward exclusivity, and to open their ranks to all who labor, even beyond industry to agriculture, and more remarkably to unite with working people in other countries. His appeal, echoes of which may be heard in succeeding generations of socialists, was the most important discussion of trade unionism prior to Engels's *Condition of the Working Class in England*.

What is the remedy for the local and the general union of each particular trade, and for the central union of all trades, against competition from the general fund of labor of the country, of under-paid agriculturalists

and common or day laborers and their children? . . . What measures of persuasion, of peace and justice, can guard the well-paid trades with their triple barrier of unions, from the competition of the great mass of the industrious? No such measures can protect them from this all-surrounding, all pervading competition. Will they then resort to *force*, law-supported as to apprenticeships, or illegal as to intimidation—in all cases equally hateful—to put down the competition of the great majority of the Industrious, and thus erect a bloody—for force will lead to blood, and without blood no aristocracy can be supported—*aristocracy* of industry? What would be the consequence? The unskilled laborers would every where form a league with the capitalists; and being the majority in point of physical strength, and having, moreover, justice and the legally armed bands of the country on their side, they would by the under-bidding of their labor defeat every where all the efforts of Trades-Unions, local, general, and central, to keep up the remuneration of skilled, *i.e.* of easy, labor, to what the average rate of profits would afford. The Central Union of All Trades, must therefore extend its operations, and enlarge its sympathies: it must comprehend All the Industrious, agricultural and day-laborers, in the sphere of its operations. . . .

What remedy have the local and general Unions of each particular trade, what remedy have the Central Unions of all trades and of all agricultural and every-day labor, crowned by the National Unions of all the Industrious of England, Scotland, and Ireland, against the evils of *individual competition on the part of the poor laborers of contiguous countries*? . . . If the cheap laborers from abroad did not come over to the capital and skill, the capital and skill would take wings together, and form an alliance with the cheap laborers abroad. . . .

Shall we say then that Trades-Unions or Voluntary Associations of the Industrious Classes, bound together by notions of their utility and public opinion alone, can be of no use to the industrious? That would be asserting too much. . . . How far then are they likely to be useful?

As to the remuneration of labor, the aid given from the general fund to those thrown out of employment, will operate as a check to the partial oppression or caprices of individual employers, but particularly of capitalists employing many persons. It will keep up generally the wages of labor to the highest that the usual rate of profits will afford. It will even contribute to keep down to the lowest this general rate of profits. . . . These Unions . . . will prevent a great deal of misery that would otherwise have existed.

The general and *open* establishment of Unions amongst the Industrious Classes, will tend very powerfully to call their intellectual powers into full activity on subjects hitherto neglected by them, but most directly concerning their happiness. . . .

By the very act of voluntary association, every member loses the mere selfish individuality of his character: he acknowledges that his interest is united with that of numbers: his benevolence is drawn forth towards them . . . till he shall ultimately feel an interest in the happiness of all the industrious, agriculturalists and day-laborers as well as mechanics, from perceiving that the interests of all are the same. (Thompson [1827] 1969, 81–86)

Marx was impressed by John Francis Bray's "remarkable work" (CW6, 138), *Labour's Wrongs and Labour's Remedy, or, the Age of Might and the Age of Right*, published in 1839. He quoted extensively from it in *The Poverty of Philosophy* and in *Theories of Surplus-Value*. With Bray, we find ourselves in a new period in the ideological history of the working class—beyond trade unionism and beyond cooperative trading. The revolutionary ferment surrounding the struggle over the Reform Bill of 1832 and the syndicalist upsurge of 1834, followed by the rise of Chartism later in the decade, ushered in an extraordinary convergence of mass agitation over universal suffrage, demands for shortening the workday, and militant trade union activity in the industrial north. This reached an insurrectionary fever with the general strike of 1842 and related events of the 1840s. This revolutionary time is heralded in Bray's work, where he wrote: "it is time to put an end to the bondage of labour, let the sufferings of the millions of her martyred children bear witness!" (Bray [1839] 1968, 7).

Applying the Ricardian law of value, he finds that the capitalist system fails to uphold the principle of "equal exchange," that is, equal value for equal value in the exchange between capital and labor: "the workmen have given the capitalist the labour of a whole year, in exchange for the value of only half a year.

. . . It is inequality of exchanges which enables one class to live in luxury and idleness, and dooms another to incessant toil" (Bray [1839] 1968, 48–49). His whole argument rests on this principle, and, as Marx said, he "turns the *illusion* of the respectable bourgeois into an *ideal* he would like to attain" (CW6, 144). According to Bray, "All the excessive toil, and poverty, and misery of the working classes of all countries arise solely from this most unjust and iniquitous manner of apportioning the labour and the reward." The transaction between worker and capitalist is nothing but "legalised robbery," and this "inequality of exchanges" is the "secret enemy that devours us." Under this system, the working class is "doomed and damned to hopeless and irremediable slavery until the end of the world!" "The principle of unequal exchanges is the very life and soul of the present social system, and the inequality of every kind is inseparable from it" (Bray [1839] 1968, 23, 50, 52, 57).

Bray's critique of the capitalist's appropriation of surplus labor is taken a step further, however, when he exposes the fallacy of the wage fund, as Hodgskin had also done, by showing that the capital which is advanced as wages is nothing but the surplus value acquired from previous labor: "The whole transaction, therefore, plainly shews that the capitalists and proprietors do no more than give the working man, for his labour of one week, a part of the wealth which they obtained from him the week before!" (Bray [1839] 1968, 49). But Bray advanced another, broader argument against the wage-fund theory, in which the capitalist system itself is indicted:

They say that there is only a certain quantity of capital or money in the country capable of being applied to the purposes of production; that this money, therefore, being thus limited, can only employ a certain number of labourers at 20s. a week, or double that number at 10s., or four times that number at 5s.:—that it from hence necessarily follows, that the more labourers there are, the worse it will be for them; and, therefore, the only remedy is, for some of the labourers to "go out of the market,"—to keep down their numbers—to emigrate, or die off by disease and starvation, until they are again within the range of Capital, and there are fewer of them than are wanted. When this takes place, say the economists, Capital and Labour will maintain their natural equilibrium, and the competition among the capitalists will raise to their proper level the wages of those working men who remain; for, they say, it is the competition amongst the working classes to obtain employment, which now brings down the value of labour; and, so long as there are a greater number of working men than the capitalists have money to employ, it is beyond the power of man, either by means of trades' unions, or short-time bills, or governmental changes of any description, to alleviate, permanently, the condition of the working class. . . .

The doctrine of a "glut of labour," although apparently borne out by facts, is in reality as false and as unsupported as the veriest fiction that ever imposed upon the credulity of mankind. . . . It is evident . . . that one of two things is necessary to the condition of a glut of labour. We all have a sufficiency of every necessary and luxury for consumption . . . or else . . . the raw material of which they are composed is not in sufficient quantity to employ all our labour. . . . The desire for certain things exists within us—the material of these things is around us—the labour requisite to work up this material is under our own control; and until all their wants are satisfied, or the treasures of the earth exhausted, it is a palpable untruth to tell the working classes that there is a "glut of labour"; for the half-clothed backs and hungry bellies of many a suffering thousand tell them, again and again, that they are in want of everything which labour can procure. The system must be altered which sets their labour in motion and keeps it moving; and then, and not till then, will the triple contradiction of too many hands, too much raw material, and too little produce to enjoy, be done away with! (Bray [1839] 1968, 103–5)

Thus, Bray also attacks capital for the poverty resulting from mass unemployment; where Malthus saw overpopulation, he finds overproduction and the contradictions of capitalism.

Thousands now starve in unproductive inaction because the capitalist cannot employ them—the capitalist cannot give them work because he cannot find a market for his produce—there is no market for the produce because those who want the produce have nothing but their labour to give in exchange for it—and their labour is unemployed because the capitalist does not know how to set them to work—and thus the evils of the present system run round in a circle, one connected with and dependent upon another, and

every one individually incurable. (Bray [1839] 1968, 156)

Bray's analysis of the role of machinery in accentuating this crisis reflects a greater sophistication than that displayed by many previous writers:

Labour is the only equivalent which a working man has to give for commodities—every invention which lessens the demand for labour takes away a portion of this equivalent—every increase of machinery displaces particular descriptions of labour, and therefore destroys the equivalent of particular workmen, or brings down its value—and thus, under the present system, and in connection with a comparatively limited amount of machinery, thousands are compelled to starve in Britain amidst glutted warehouses, while the capitalists are traversing the whole earth for customers. . . .

As machinery has superseded the labour of the workmen engaged in particular trades, their wages have come down shilling by shilling and penny by penny, until at length the most incessant labour is scarcely adequate to procure the coarsest food. Large masses of men have been placed in this position; and a great and gradually increasing portion, unable to obtain employment on any terms, have been compelled to fall back upon the slender provision which poor laws yet allow for the relief of the destitute. (Bray [1839] 1968, 185, 187)

Regarding trade unions, Bray exhibits the socialist's frustration with the small change he imagines is the most they can occasionally deliver.

The great body of the working classes believed that their late trades' unions would be omnipotent in effecting their deliverance from the dominion of the capitalist; for a more powerful engine was never made use of by the producers. . . . But whether victorious or defeated, the workman was alike involved in losses and in difficulties—all his efforts for the permanent bettering of his condition were ineffectual—and this vast confederation was at length broken up, and dissolved into its primitive trade societies. These have continued, at times, a desultory and unequal contest with capital—sometimes with partial success, but often with defeat and ruin. (Bray [1839] 1968, 100)

His disdain for reforms extended even to the campaign for a legal shortening of the workday: "it will be as useless," Bray wrote, "and as ineffectual in permanently bettering the condition of the working class, as any other merely governmental change" (Bray [1839] 1968, 101).

But what really distinguished Bray from those who preceded him—and this is a characteristic of the Chartist period—is his emphasis on the workers' self-emancipation: "They must be no longer thus led like children; but proceed at once . . . to obtain that political and social salvation which can be theirs only through their own exertions" (Bray [1839] 1968, 16). He proposes that the working class convene a provisional revolutionary government of delegate assemblies, and thus empowered expropriate the means of production from its private owners, the capitalists. Let it be supposed, he writes,

that each trade establishes within itself the germs of a future company—that a provisional government of delegates from each is appointed and convened—that paper money, and a coinage of pottery, bearing the two denominations of amount of labour and amount sterling, is created for the purpose of superseding the present medium, and carrying on the future transactions of society—and that a bargain takes place between the producers thus united and the capitalists, and the fixed capital is transferred from the one to the other. . . .

[I]t is scarcely to be expected that the capitalists, with their present habits and prejudices, will generally consent even to sell their property for this object. . . . [However,] The title by which the capitalists hold these things is no more than a conventional privilege—a privilege conferred and sanctioned by the common usage of society, without particular limitation as to time. It is likewise a common usage of society, when the property of individuals interferes with the welfare of the body politic—in regard to roads, railways, canals, and other effects—to have such property equitably valued, and, paying its owners the price fixed upon, take the property, independent of their consent. . . . It is . . . in the power of society at large to alter at any time its existing arrangements, independent of the consent of a

particular individual or a particular class. (Bray [1839] 1968, 172–74)

Bray appeals for a peaceful transformation, and this seems to contradict any revolutionary expropriation, which, he says, "can only be done by means of purchase, without the application of force or the accompaniment of civil commotion." He argues that "reason, and not force—conviction, and not compulsion—purchase, and not plunder—a systematic application of combined forces, and not an undisciplined and chaotic movement—are the proper instruments to be employed" (Bray [1839] 1968, 213, 215). Can he be unaware that any attempt to implement this "purchase" would instigate civil war? Perhaps, believing that the responsibility for initiating this conflict would then rest with the capitalist class, he is willing to accept the outcome. Marx himself made similar remarks following the 1872 Hague Conference of the International.

NOTES

1. "The accumulation of capital in the money form," Marx wrote in his *Economic Manuscript of 1861–63*, "is by no means a material accumulation of the material conditions of labour. It is rather an *accumulation of property titles to labour*" (CW34, 12).

2. "By capital we understand the wealth with which any business is carried on. Wealth, according to our idea, is power over the labour of the poor" (Hall [1805] 1965, 318).

3. Engels observed that Marx, by his discussion of *The Source and Remedy in Capital*, "saved [it] from falling into oblivion" (Marx 1957, 11).

4. Marx appears to have been unaware of *A Few Doubts*, referring only to *Thoughts on the Funding System*.

5. The Combination Laws, which had proscribed trade union activity, were repealed in 1824, then partially reinstated in 1825.

6. G. D. H. Cole wrote that it "was left for the German, Karl Marx, to re-discover Hodgskin (Hodgskin [1922] 1969, 15).

7. "For example," Marx wrote in the *Economic Manuscript of 1861–63*, "the worker receives his weekly wage on Saturday; the bread, milk, meat, vegetables, etc. in which it is expended are first produced in the course of the following week. . . . To that extent, his wage is nothing but a *draft* on the *products of simultaneous and even future labour*; a draft which the workers receive on their reciprocal products, simultaneous and future. To that extent it would be absurd to maintain that the capitalist *accumulates* this and holds it in *reserve* for the workers" (CW34, 309).

8. Thompson was alleged to be the originator of Marx's theory of surplus value by Anton Menger, author of *The Right to the Whole Produce of Labour* (1886). According to Menger, Marx took—without acknowledgment—his "fundamental theories" from Thompson (Menger [1899] 1962, 83–84). This claim is no longer taken seriously, and Menger's book has fallen into obscurity. At the time of its publication, however, Engels collaborated with Kautsky on a critique for *Die Neue Zeit*. Thompson spoke of surplus value in a sense "totally different" from Marx's, they explain. Menger used the term "regardless of the concept associated with it" (CW26, 611–12).

9. As I previously pointed out (Lapides 1987, 197), Thompson appears to have been the first to express the idea of an "aristocracy of labor."

Chapter 7

Marx's Early Writings on Wages

Now and then the workers are victorious, but only for a time. The real fruit of their battles lies, not in the immediate result, but in the ever-expanding union of the workers.

—Marx

Marx began to arrive at his developed theory of capitalist relations of production only in the late 1850s; not until the 1860s was it expressed in its full maturity. The economic analysis found in his earlier writings therefore is a mix of many elements that, reflecting their transitional nature, do not form a consistent doctrine. Some parts were retained and incorporated into his later work, while other elements are not compatible with his mature analysis and are of historical interest only.

The *Economic and Philosophic Manuscripts of 1844*, Marx's first attempt to produce what he described as "a conscientious critical study of political economy" (CW3, 232), is an unfinished work—the individual manuscripts (three have survived at least partially) are in various stages of completion, while much of it has been lost. First published in 1932 and not appearing in English until 1959, it was hailed at the time of its publication for revealing Marx's concern with the worker's alienation; his attention to the question of wages went largely unnoticed. Also known as *The Paris Manuscripts*, it represents his first effort to describe the anatomy of capitalism and provide the proletariat with a theoretical understanding of its position. Having come to Paris in late 1843, by the time he began working on these manuscripts in the spring of 1844 he had adopted a communist viewpoint, forming the conviction that the working class would emancipate itself by overturning bourgeois society.¹ Thus these manuscripts were his first attempt in a lifelong endeavor to produce a work that would empower the proletariat with a knowledge of its condition, its relation to society, and its role in history.

The initial section of the first manuscript, "Wages of Labour," begins with a reprise of Smith's discussion in the *Wealth of Nations*. He writes:

Wages are determined through the antagonistic struggle between capitalist and worker.² Victory goes necessarily to the capitalist. The capitalist can live longer without the worker than can the worker without the capitalist. Combination among the capitalists is customary and effective; workers' combination is prohibited and painful in its consequences for them. . . .

The lowest and the only necessary wage rate is that providing for the subsistence of the worker for the duration of his work and as much more as is necessary for him to support a family and for the race of labourers not to die out. The ordinary wage, according to Smith, is the lowest compatible with common humanity, that is, with cattle-like existence.

The demand for men necessarily governs the production of men, as of every other commodity. Should supply greatly exceed demand, a section of the workers sinks into beggary or starvation. The worker's existence is thus brought under the same condition as the existence of every other commodity. The worker has become a commodity, and it is a bit of luck for him if he can find a buyer. (CW3, 235)

This describes the essential features of wage theory as worked out by classical political economy. The laws of supply and demand and the subsistence needs of the worker are seen as the chief determinants of wage levels, while the unequal relationship between worker and capitalist, including the suppression of trade union activity, is understood to be shaping the outcome of these market forces. The historically relative nature of subsistence needs and the role of trade unions, two fundamental features of Marx's mature analysis (and already intimated by political economy), are conspicuous by their absence.³ But rather than trying to formulate a more developed model of wage determination, he used political economy's existing analysis in order to indict the system of which it was the ideological representation.

The worker has to struggle not only for his physical means of subsistence; he has to struggle to get work. . .

Let us take the three chief conditions in which society can find itself and consider the situation of the worker in them:

(1) If the wealth of society declines the worker suffers most of all. . . .

(2) Let us now take a society in which wealth is increasing. This condition is the only one favourable to the worker. Here competition between the capitalists sets in. The demand for workers exceeds their supply. But:

In the first place, the raising of wages gives rise to *overwork* among the workers. The more they wish to earn, the more must they sacrifice their time and carry out slave-labour, completely losing all their freedom, in the service of greed. . . .

Hence even in the condition of society most favourable to the worker, the inevitable result for the worker is overwork and premature death, decline to a mere machine, a bond servant of capital, which piles up dangerously over and against him, more competition, and starvation or beggary for a section of the workers. . . .

Thus in a declining state of society—increasing misery of the worker; in an advancing state—misery with complications; and in a fully developed state of society—static misery. (CW3, 237–39)

Although Marx's critique appears only to emphasize or make explicit what is already found in the wage doctrine of political economy, he also begins to go beyond conventional analysis in the area of socially determined needs and relative wages. While Ricardo's concept of relative wages was an important innovation in the development of wage theory, he did not spell out their social consequences. This could only be accomplished by a sensibility critical of bourgeois society, by Cherbuliez, for example, or by Wilhelm Schulz, or by Marx himself. But Marx does not yet develop this analysis, as he does later in *Wage Labour and Capital*, though he intended to, as can be seen by the extracts that he copied from Schulz's *Die Bewegung der Production* (1843), such as the following: "But even if it were as true as it is false that the average income of *every* class of society has increased, the income-differences and *relative* income-distances may nevertheless have become greater and the contrasts between wealth and poverty accordingly stand out more sharply. For just *because* total production rises —needs, desires and claims also multiply and this *relative* poverty can increase whilst *absolute* poverty diminishes" (cited in CW3, 242).

Nor does Marx connect the workers' misery with the trade union struggle, as he was also soon to do. He must still construct that theoretical bridge between their struggles for amelioration of their condition, for higher wages and shorter hours, and the movement for a complete transformation of them, for the abolition of wage labor itself. He exhibits the revolutionary's impatience with reform. Thus, he asks,

What are the mistakes committed by the piecemeal reformers, who either want to *raise* wages and in this way to improve the situation of the working class, or regard *equality* of wages (as Proudhon does) as the goal of social revolution? (CW3, 241)

His answer was of the type that he was later to ridicule:

An enforced *increase of wages* (disregarding all other difficulties, including the fact that it would only be by force, too, that such an increase, being an anomaly, could be maintained) would therefore be nothing but better *payment for the slave*, and would not win either for the worker or for labour their human status and dignity.

Indeed, even the *equality of wages*, as demanded by Proudhon, only transforms the relationship of the present-day worker to his labour into the relationship of all men to labour. (CW3, 280)

Though he came to see the wage struggle as indispensable, in both its political and its economic effects, he never ceased to regard the demand for "equality of wages" as foolish.⁴

Any discussion of Marx's early intellectual development must take into account his relationship to Engels. Eleanor Marx believed that "the life and work of these two men are so closely associated that they cannot be separated" (*Reminiscences of Marx and Engels*, 182). Engels aptly characterized his own position in relation to Marx as having played "second violin" to his friend's "splendid first" (*Werke* 36, 218),⁵ though he also had independent achievements of which to be proud, even leading the way in some areas. "I invariably follow in your footsteps," Marx wrote him (CW41, 546). Engels's early exposure to industrial conditions in England and his direct contacts with the working-class movement there before Marx had any comparable experience of his own gave added weight to the influence his writings had, and Marx took pains to point out his indebtedness to Engels.⁶

The earliest work in which either Marx or Engels considered the question of wages was in fact the latter's "Outlines of a Critique of Political Economy." Written in October and November 1843, it was published in the *Deutsch-Französische Jahrbücher*, the journal that Marx was editing with Arnold Ruge, at the end of February 1844. It had a great impact on Marx and on his future relations with Engels; he recalled that he and Engels "maintained a constant exchange of ideas by correspondence since the publication of his brilliant essay on the critique of economic categories" (CW29, 264). In this essay Engels only touches on questions of wage theory, observing that wages are "determined by competition—there being, as we have seen, no firm standard determining labour's share in production" (CW3, 431). Since in the struggle of competition "the stronger wins," he concludes: "labour is weaker than either landed property or capital, for the worker must work to live, whilst the landowner can live on his rent, and the capitalist on his interest. . . . The result is that only the very barest necessities, the mere means of subsistence, fall to the lot of labour" (CW3, 440–41). Engels's purpose being to indict the capitalist system and its ideological reflection, political economy, for injustice and hypocrisy, he did not attempt a systematic analysis of the factors determining the worker's condition in society. Wage theory becomes important to the revolutionary consciousness only when the understanding is gained that the workers' struggle over the level of wages has a critical part to play in the revolutionary process.

In late 1843, Engels had not yet gained this awareness, though his experiences in Manchester would shortly change that.⁷ However, he closely examined other issues of topical importance, such as the Malthusian doctrine and the effects of machinery on employment and wages. Of the latter, he writes: "In the struggle of capital and land against labour, the first two elements enjoy yet another special advantage over labour—the assistance of science; for in present conditions science, too, is directed against labour." He describes how cotton-spinning machines were invented to meet the shortage of labor. The self-acting mule, he wrote, "was occasioned solely by the demand for labour, and rising wages. It doubled machine-labour, and thereby cut down hand-labour by half; it threw half the workers out of employment, and thereby reduced the wages of the others by half; it crushed a plot of the workers against the factory owners, and destroyed the last vestige of strength with which labour had still held out in the unequal struggle against capital" (CW3, 442–43).

Attacking Malthus's "population doctrine," Engels wrote that "this vile, infamous theory, this hideous blasphemy against nature and mankind" (CW3, 437) is merely the ideologue's attempt to justify if not conceal the absurd and contradictory connection between surplus population and surplus productive capacity, the same contradiction that is responsible for the periodic crises of capitalism. He says that

there is so much superfluous productive power that the great mass of the nation has nothing to live on, that the people starve from sheer abundance. . . . [There is an] alternation of boom and crisis, over-production and slump sets in. The economist has never been able to find an explanation for this mad situation. In order to explain it, he invented the population theory. . . .

This immeasurable productive capacity, handled consciously and in the interest of all, would soon reduce to a minimum the labour falling to the share of mankind. . . . [As things now stand, however,] One part of the workers works fourteen or sixteen hours a day, whilst another part stands idle and inactive, and starves. . . .

To bring fact and theory into conformity with each other—since this fact simply could not be denied—the population theory was invented.

Malthus, the originator of this doctrine, maintains that population is always pressing on the means of subsistence. . . . The implications of this line of thought are that since it is precisely the poor who are the surplus, nothing should be done for them except to make their dying of starvation as easy as possible, and to convince them that it cannot be helped and that there is no other salvation for their whole class than keeping propagation down to the absolute minimum. (CW3, 435–37)

After spending almost two years in Manchester, Engels left England in 1844 to return to his family's home in Barmen, stopping over in Paris, where he spent ten days with Marx. He recalled later: "When I visited Marx in Paris in the summer of 1844, our complete agreement in all theoretical fields became evident and our joint work dates from that time" (CW26, 318). This "joint work" first took the form of a polemic against the Young Hegelians, particularly Bruno Bauer. *The Holy Family, or Critique of Critical Criticism. Against Bruno Bauer and Company* was published in Frankfurt in February 1845. In this work Engels observed that "the association of workers for wage rises is allowed in *England*, but according to [Bauer] it is prohibited" (CW4, 13). Here a new note is struck: the organized struggle of workers for wage increases is deemed important enough that ignorance of it warrants a rebuke. Though *The Holy Family* is mainly a critique of philosophic, not economic, ideas, Marx, who wrote most of it, inserted this comment:

Thus in political economy wages appear at the beginning as the proportional share of the product due to labour. Wages and profit on capital stand in the most friendly, mutually stimulating, apparently most human relationship to each other. Afterwards it turns out that they stand in the most hostile relationship, in *inverse* proportion to each other. . . . The size of wages is determined at the beginning by *free* agreement between the free worker and the free capitalist. Later it turns out that the worker is compelled to allow the capitalist to determine it, just as the capitalist is compelled to fix it as low as possible. *Freedom* of the contracting parties has been supplanted by *compulsion*. (CW4, 32–33)

When Engels arrived back in Barmen he began work on transforming his experience in Manchester into what would prove to be his most acclaimed literary production and most outstanding independent contribution to the socialist canon. *The Condition of the Working Class in England* was written between September 1844 and March 1845, and was published almost immediately in June, with the first English edition (translated by American socialist and reformer Florence Kelley) appearing in 1887. It propounded for the first time the quintessential Marxist view of the labor movement. With regard to wage theory, it synthesized what had been achieved in bourgeois and socialist analysis until that time, while in its analysis of the role of trade unionism it went even further.

Describing "competition" as the fundamental fact of life in bourgeois society, Engels writes that it is the most complete "expression of the battle of all against all which rules in modern civil society. This battle, a battle for life, for existence, for everything . . . is fought not between the different classes of society only, but also between the individual members of these classes. . . . The workers are in constant competition among themselves as [are] the members of the bourgeoisie among themselves" (CW4, 375). This competition of the workers among themselves is the chief regulator of wages. It is "the sharpest weapon against the proletariat in the hands of the bourgeoisie. Hence, the effort of the workers to nullify this competition by associations" (CW4, 376). There is "but one limit" to this competition: "no worker will work for less than he needs to subsist." This then is the minimum of wages, bare subsistence. Engels discusses the influence of cultural and historical differences among workers, saying that "this limit is relative; one needs more than another, one is accustomed to more comfort than another" (CW4, 376). The English worker requires more than the Irish worker, for example, and the competition of the latter will gradually force down the wages of the former. Moreover, certain types of work "require a certain grade of civilisation, and to these belong almost all forms of industrial occupation; hence the interest of the bourgeoisie requires in this case that wages should be high enough to enable the workman to keep himself upon the required plane." In this respect too, therefore, "the minimum wage is relative." Another factor is the effect of family members' employment on the individual worker's earnings. "When every member of the family works, the individual worker can get on with proportionately less. . . . Hence the usual wages form an average according to which a fully employed family gets on pretty well, and one which embraces few

members able to work, pretty badly" (CW4, 377).

As opposed to the minimum wage, its maximum, he says, is "determined by the competition of the bourgeoisie among themselves." When there is an increased demand for his goods the capitalist will employ more labor. When this increased demand absorbs all available labor the capitalists must compete among themselves for additional workers, and this results in higher wages. Engels writes:

From this we can determine the average rate of wages. Under average circumstances, when neither workers nor capitalists have reason to compete, especially among themselves, when there are just as many workers at hand as can be employed in producing precisely the goods that are demanded, wages stand a little above the minimum. How far they rise above the minimum will depend upon the average needs and the grade of civilisation of the workers. If the workers are accustomed to eat meat several times in the week, the capitalists must reconcile themselves to paying wages enough to make this food attainable; not less, because the workers are not competing among themselves and have no occasion to content themselves with less; not more, because the capitalists, in the absence of competition among themselves, have no occasion to attract working-men by extraordinary favours.

He concludes: "the average needs and the average civilisation of the workers has become very complicated by reason of the complications of English industry, and is different for different sorts of workers" (CW4, 378–79).

Engels also examines the effects of machinery and of trade crises, and (coining a term) the production of "an unemployed reserve army of workers" as a permanent appendage to the labor market. He says that Adam Smith was "perfectly right" when he suggested that "the demand for men, like that for any *other commodity*, necessarily regulates the production of men, quickens it when it goes on too slowly, and stops it when it advances too fast." In other words, prosperity and higher wages encourage workers to marry and produce more children, thus swelling the labor force; while, in the opposite case, we see "prices fall, want of work, poverty, and starvation" until the "surplus population" is eliminated. Malthus, who further developed this argument, went wrong "only when he asserts that there are more people on hand than can be maintained from the available means of subsistence. Surplus population is engendered rather by the competition of the workers among themselves, which forces each separate worker to labour as much each day as his strength can possibly admit." They must submit to the lengthening of the workday and the introduction of new machinery. The requirements of capital, not any shortage of the earth's natural produce, are the cause of overpopulation. "The productiveness of each hand raised to the highest pitch by the competition of the workers among themselves, the division of labour, the introduction of machinery, the subjugation of the forces of Nature, deprive a multitude of workers of bread." Added to this are the effects of trade crises, when factories close or are only worked half-time: "wages fall by reason of the competition of the unemployed, the diminution of working-time and the lack of profitable sales" (CW4, 380–82).

How these influences on the rate of wages were further intertwined with the action of trade unions was discussed in the chapter on "Labour Movements."

The history of these Unions is a long series of defeats of the working-men, interrupted by a few isolated victories. All these efforts naturally cannot alter the economic law according to which wages are determined by the relation between supply and demand in the labour market. Hence the Unions remain powerless against all *great* forces which influence this relation. In a commercial crisis the Union itself must reduce wages or dissolve wholly; and in a time of considerable increase in the demand for labour, it cannot fix the rate of wages higher than would be reached spontaneously by the competition of the capitalists among themselves. But in dealing with minor, single influences they are powerful. If the employer had no concentrated, collective opposition to expect, he would in his own interest gradually reduce wages to a lower and lower point; indeed, the battle of competition which he has to wage against his fellow-manufacturers would force him to do so, and wages would soon reach the minimum. But this competition of the manufacturers among themselves is, *under average conditions*, somewhat restricted by the opposition of the working-men.

Every manufacturer knows that the consequence of a reduction not justified by conditions to which his competitors also are subjected, would be a strike. . . . Then, too, the Unions often bring about a more rapid increase of wages after a crisis than would otherwise follow. . . . But, for resistance to more considerable forces which influence the labour market, the Unions are powerless. . . . But strikes end disastrously for the workers mostly, because the manufacturers, in their own interest (which has, be it said, become their interest only through the resistance of the workers), are obliged to avoid all useless reductions, while the workers feel in every reduction imposed by the state of trade a deterioration of their condition, against which they must defend themselves as far as in them lies. (CW4, 505–6)

Marx published *The Poverty of Philosophy* in the summer of 1847; written in French as a critique of Pierre-Joseph Proudhon, it first appeared in English translation in 1900. Its concluding section, "Strike: and Combinations of Workers," offers a defense of trade unionism from a revolutionary perspective and was reprinted several times in the 1870s in various socialist publications. Marx later reflected with satisfaction "that in 1847, when all the political economists and all the socialists concurred on the one single point—the condemnation of *trades' unions*, I demonstrated their historical necessity" (CW43, 260).

On the question of wages, however, his analysis is less developed than Engels's treatment in the *Condition*. Again he omits mentioning any social or historical element in the determination of wage levels, nor does he yet see any effective economic role that trade unions might play. In this critique of Proudhon from a Ricardian standpoint, wage theory is still largely incidental.

If the relative value of a commodity is determined by the quantity of labour required to produce it, it follows naturally that the relative value of labour, or wages, is likewise determined by the quantity of labour needed to produce the wages. Wages, that is, the relative value or the price of labour, are thus determined by the labour time needed to produce all that is necessary for the maintenance of the worker. (CW6, 124)

Marx cites Ricardo's comparison of the price of hats with the wages of labor to show how all commodities are valued at their costs of production. "Doubtless," he adds, "Ricardo's language is as cynical as can be. To put the cost of manufacture of hats and the cost of maintenance of men on the same plane is to turn men into hats. But do not make an outcry at the cynicism of it. The cynicism is in the facts and not in the words which express the facts." Those writers who "reproach Ricardo and his school" do so "because it annoys them to see economic relations exposed in all their crudity, to see the mysteries of the bourgeoisie unmasked" (CW6, 125).

Previously, Marx had rejected Ricardo's analysis; he now employs it against the naïve conceptions of Proudhon. He continues:

Labour, being itself a commodity, is measured as such by the labour time needed to produce the labour-commodity. And what is needed to produce this labour-commodity? Just enough labour time to produce the objects indispensable to the constant maintenance of labour, that is, to keep the worker alive and in a condition to propagate his race. The natural price of labour is no other than the minimum wage. If the current rate of wages rises above the natural price, it is precisely because . . . of the varying relations of supply and demand. But the minimum wage is nonetheless the centre towards which the current rates of wages gravitate. (CW6, 125)

In December 1847, Marx gave a series of lectures on wages at the German Workers' Society in Brussels. He intended to publish them as a pamphlet, but the revolutionary upheavals of 1848 intervened. In April 1849, as editor of the *Neue Rheinische Zeitung* in Cologne, he began to publish articles he had written based on those lectures under the title "Wage Labour and Capital," but the series was never completed because in May the paper was suppressed. The concluding lectures have survived only as a rough draft, a manuscript that is in places no more than an outline. It was first published in 1924 under the title "Wages," and did not appear in English until 1976. *Wage Labour and Capital* itself was eventually published in pamphlet form several times in the 1880s, and it first appeared in English between December

1884 and February 1885, when it was serialized by the *Justice*, the London organ of the Social Democratic Federation. In 1891, Engels prepared a new edition, in which he brought Marx's terminology in line with his later, more mature conception, which mainly consisted of substituting the term "labor power" for "labor." *Wage Labour and Capital* was the first work of either Marx or Engels to be devoted exclusively to the question of wages and to give it a systematic (if unfinished) treatment.⁸

In keeping with his popular, pedagogical approach, Marx begins: "What are wages? How are they determined?" All would agree, he writes, that "wages are the sum of money paid by the bourgeois for a particular labour time or for a particular output of labour." Labor is a commodity, therefore, "neither more nor less than sugar. . . . The exchange value of a commodity, reckoned in *money* is what is called its *price*. *Wages* are only a special name for the *price of labour*." Thus they are "determined by the same laws that determine the price of every other commodity." However, contrary to conventional economic wisdom, he declares with emphasis: "*Wages are . . . not the worker's share in the commodity produced by him. Wages are the part of already existing commodities with which the capitalist buys for himself a definite amount of productive labour.*" As opposed to a slave, who "*is himself a commodity*" and whose "labour is not *his* commodity," the worker belongs to no owner while his labour is the commodity that must be sold, as it is his "sole source of livelihood." The worker, therefore, "cannot leave the *whole class of purchasers, that is, the capitalist class*, without renouncing his existence. *He belongs not to this or that bourgeois, but to the bourgeoisie, the bourgeois class*, and it is his business to dispose of himself, that is to find a purchaser within this bourgeois class" (CW9, 201–4).

Prices are determined by competition, and this competition is "*three-sided*." There is competition among the sellers, which acts to depress the price of a commodity; competition among the buyers, which tends to raise the price; and finally competition between buyers and sellers, in which the effects of the competition among buyers and among sellers is realized. But this pressure upward and downward acts only relatively. What is the standard against which these movements are measured? A commodity's price is determined by its cost of production, and this "is equivalent to the . . . labour time necessary" for its manufacture. Wages are determined therefore by the cost of production of the commodity "labor," in other words, by the labor time necessary "*for maintaining the worker as a worker and for developing him into a worker.*" This includes training, and so will be higher for labor of greater skill, and it includes "the cost of reproduction, whereby the race of workers is enabled to multiply and to replace worn-out workers by new ones." The wages determined by these calculations are called the *wage minimum*. This minimum does not necessarily apply to the individual worker, who may receive more or even less than this amount. Rather, "*the wages of the whole working class level down, within their fluctuations, to this minimum*" (CW9, 205–10).

It is impossible to understand wages however without understanding capital, and capital, Marx says, "is a social relation of production."

Capital does not consist in accumulated labour serving living labour as a means for new production. It consists in living labour serving accumulated labour as a means for maintaining and multiplying the exchange value of the latter.

What takes place in the exchange between capital and wage labour?

The worker receives means of subsistence in exchange for his labour, but the capitalist receives in exchange for his means of subsistence labour, the productive activity of the worker, the creative power whereby the worker not only replaces what he consumes but gives to the accumulated labour a greater value than it previously possessed. (CW9, 212–13)

Here we have the first clear sign of Marx's emerging theory of surplus value. In fact, later in this discussion he uses the expression "labor power" for the first time (CW9, 214), though the concept remains to be further developed.

Further evidence of his maturing theory is found in his discussion of relative wealth and relative wages. "Let us assume," he says, "the most favourable case"—growth of capital, increased demand for

labor, and a consequent rise of wages. What then?

A house may be large or small; as long as the surrounding houses are equally small it satisfies all social demands for a dwelling. But let a palace arise beside the little house, and it shrinks from a little house to a hut . . . and however high it may shoot up in the course of civilisation, if the neighbouring palace grows to an equal or even greater extent, the occupant of the relatively small house will feel more and more uncomfortable, dissatisfied and cramped within its four walls.

A noticeable increase in wages presupposes a rapid growth of productive capital. The rapid growth of productive capital brings about an equally rapid growth of wealth, luxury, social wants, social enjoyments. Thus, although the enjoyments of the worker have risen, the social satisfaction that they give has fallen in comparison with the increased enjoyments of the capitalist, which are inaccessible to the worker, in comparison with the state of development of society in general. Our desires and pleasures spring from society; we measure them, therefore, by society and not by the objects which serve for their satisfaction. Because they are of a social nature, they are of a relative nature. (CW9, 216)

Marx also notes the variations in wages that occur as a result of changes in the value of money or in the prices of commodities that serve as means of subsistence. Citing various examples, he shows that "the money price of labour, nominal wages, do not coincide with real wages, that is, with the sum of commodities which is actually given in exchange for the wages" (CW9, 217). Moreover, wages are "above all, also determined by their relation to the gain, to the profit of the capitalist—comparative, relative wages." Thus real wages may "remain the same, they may even rise, and yet relative wages may fall. . . . The division of social wealth between capital and labour has become still more unequal. . . . The power of the capitalist class over the working class has grown, the social position of the worker has deteriorated" (CW9, 218–19).

Finally, Marx examines the effects of the growth of capital, the introduction of machinery, and the increasing division of labor on wages. All of these factors, he says, vastly multiply the competition of the workers among themselves, as well as reducing their labor to a simpler, more monotonous, and more repulsive quality. As the worker's labor becomes more debased, he is forced to accept lower wages, assuming he manages to hold on to his employment at all. Machinery replaces "skilled workers by unskilled, men by women, adults by children." Thus "the forest of uplifted arms demanding work becomes ever thicker, while the arms themselves become ever thinner." Trade crises continually worsen, and masses of workers perish (CW9, 226–28).

The surviving manuscript for the remainder of Marx's lectures of 1847 (thus predating the text of *Wage Labour and Capital*), what is now called "Wages," contains a suggestion that reflects one of the most fundamental (and also overlooked) elements of his outlook, both economic and political: his internationalism. "When one speaks of the fall or rise of wages one must never lose sight of the whole world market or of the position of the workers in the various countries." Wages, he adds, "become more and more dependent on the world market and the position of the worker increasingly subject to chance" (CW6, 421, 422). The minimum wage, he says, "has a historical movement and sinks always further towards the absolutely lowest level." Moreover,

This minimum tends to become the same in different countries.

When wages have once fallen and later rise again, they never rise, however, to their previous level.

In the course of development, there is a double fall in wages:

Firstly: relative, in proportion to the development of general wealth.

Secondly: absolute, since the quantity of commodities which the worker receives in exchange becomes less and less. (CW6, 425–26)

Marx saw advantages, however, even in the oscillation toward and away from the minimum:

But we have seen that the fluctuations of wages not only revolutionise the worker, but that without the temporary rise of wages above the minimum he would remain excluded from all advances of production,

from public wealth, from civilisation, hence from all possibility of emancipation.⁹ (CW6, 426)

Marx also said: "Were it not for the fluctuations of wages, the worker would take no interest at all in the development of civilisation; he would remain stationary" (CW6, 422–23). A fixed, permanent scale of wages was no solution therefore. Neither was the proposal for industrial education, according to which "every worker should be trained in as many industries as possible, so that if by the introduction of new machines . . . he is thrown out of one industry," he can easily find work in another. Even assuming this were possible,

The consequence would be that if there were a surplus of hands in one industry, this surplus would at once spread to all other industries, and even more than before the reduction of wages in one business would lead directly to a general reduction in wages.

Even as it is, since modern industry simplifies work everywhere and makes it easy to learn, the rise of wages in one industry at once causes an influx of workers into this industry and the reduction of wages will more or less directly assume a general character. (CW6, 427–28)

Marx examines the wage-fund dogma, the notion that the "level of wages depends on the proportion of the hands which offer themselves to the hands which are required." In order to "reveal the utter stupidity, baseness and hypocrisy of this doctrine," he observes that the growth of capital—the main condition for a rise of wages—leads to the introduction of new machinery and an increase in the division of labor. Small capitalists are ruined and are added to the labor force. All of these factors intensify competition among the workers, while growth of the productive forces leads to overproduction, integration of the world market, and more violent trade crises (CW6, 428–30). The growth of productive capital also leads to a relative decline of that portion spent on wages as compared to the portion spent on machinery. In other words, the workers must share among themselves an ever smaller part of the productive capital in relation to its total mass. Their competition, therefore, becomes more and more violent. . . .

This law, which arises simply from the relation of the worker to capital, and which turns even the condition most favourable for him, the rapid growth of productive capital, into an unfavourable one, the bourgeois have changed from a social law into a law of nature by saying that by a law of nature the population grows more rapidly than the means of employment or the means of subsistence.

They fail to understand that the growth of this contradiction is inherent in the growth of productive capital. . . .

We have seen that when productive capital grows—the most favourable case presupposed by the economists—when, therefore, the demand for labour increases relatively, it is in the nature of modern industry and in the nature of capital that the means for the employment of workers do not grow in the same proportion, that the same circumstances which make productive capital grow, make the disproportion between the supply of labour and the demand for it grow more rapidly, in a word, that the growth of the productive forces makes grow at the same time the disproportion between the number of workers and the means for their employment. This depends neither on the increase of means of subsistence nor on the increase of the population regarded by itself. It follows necessarily from the nature of large-scale industry and the relationship of labour and capital.

If the growth of productive capital progresses only slowly, however, if it remains stationary or even decreases, the number of workers is always too large in proportion to the demand for labour.

In both cases, the most favourable and the most unfavourable, it follows from the relationship of labour to capital, from the nature of capital itself, that the supply of labour will always be too great for the demand for labour. (CW6, 432–33)

That the Malthusian wage doctrine is not only erroneous but insincerely held is proven by the following:

Firstly: By replacing adults with children, modern industry places a veritable premium on the making of children.

Secondly: Big industry constantly requires a reserve army of unemployed workers for times of overproduction. The main purpose of the bourgeois in relation to the worker is, of course, to have the commodity labour as cheaply as possible, which is only possible when the supply of this commodity is as large as possible in relation to the demand for it, i.e., when the overpopulation is the greatest.

Overpopulation is therefore in the interest of the bourgeoisie, and it gives the workers good advice which it knows to be impossible to carry out. . . .

The above theory, however, which is also expressed as a law of nature, that population grows faster than the means of subsistence, is the more welcome to the bourgeois as it silences his conscience, makes hard-heartedness into a moral duty and the consequences of society into the consequences of nature, and finally gives him the opportunity to watch the destruction of the proletariat by starvation as calmly as other natural events without bestirring himself, and, on the other hand, to regard the misery of the proletariat as its own fault and to punish it. (CW6, 433–34)

Marx emphasizes the political importance of the trade unions while conceding their economic weakness. "The economists are right when they remark against the associations" that their costs exceed whatever they achieve of their goals. "In the long run they cannot withstand the laws of competition. These combinations bring about new machines, a new division of labour, removal from one place of production to another. In consequence of all this a reduction of wages." Moreover, were the unions to succeed in raising wages in one country "so that profits fell significantly in relation to the average profit in other countries, or so that capital was held up in its growth, stagnation and recession of industry would be the consequence, and the workers would be ruined together with their masters. For that, as we have seen, is the condition of the worker. His condition deteriorates by leaps and bounds when productive capital grows, and he is ruined from the start when it declines or remains stationary" (CW6, 435). Marx observes that the economists "are so gracious as to allow in the minimum wage, that is, in the minimum life, a little tea, or rum, or sugar and meat," and points out that "the workers reckon in this minimum a little of the costs of war against the bourgeoisie and that out of their revolutionary activity they even make the maximum of their enjoyment of life" (CW6, 436).

Marx concludes by indicating "the positive aspect of wage labour," the fact that "everything patriarchal falls away" and "the money relationship [becomes] the sole relationship between employer and workers." The "halo of sanctity is entirely gone from all relationships of the old society," and, as opposed to "the way of life prescribed purely by the (feudal) estate" with its payment in kind, "the worker can do what he likes with his money" (CW6, 436–37).

The *Manifesto of the Communist Party* was written between December 1847 and January 1848 and was published in February. It was written by Marx, though both he and Engels worked on it and are regarded as its authors. In reference to wages, it declares that the "average price of wage-labour is the minimum wage, i.e., that quantum of the means of subsistence, which is absolutely requisite to keep the labourer in bare existence as a labourer." Wages suffice merely "to prolong and reproduce" this bare existence (CW6, 499).

The various interests and conditions of life within the ranks of the proletariat are more and more equalised, in proportion as machinery obliterates all distinctions of labour, and nearly everywhere reduces wages to the same low level. The growing competition among the bourgeois, and the resulting commercial crises, make the wages of the workers ever more fluctuating. The unceasing improvement of machinery, ever more rapidly developing, makes their livelihood more and more precarious; the collisions between individual workmen and individual bourgeois take more and more the character of collisions between two classes. Thereupon the workers begin to form combinations against the bourgeois; they club together in order to keep up the rate of wages; they found permanent associations in order to make provision beforehand for these occasional revolts. Here and there the contest breaks out into riots.

Now and then the workers are victorious, but only for a time. The real fruit of their battles lies, not in the immediate result, but in the ever-expanding union of the workers. (CW6, 492–93)

The treatment of wages in the *Manifesto*, with its emphasis on the worker's "bare existence," had a lasting influence on the interpretation of Marx's wage theory. Both his critics and his defenders tended to regard this discussion as definitive, despite the evidence to the contrary.

Marx's *Speech on the Question of Free Trade* was given (in French) on January 9, 1848, at the Brussels Democratic Association. He speaks of wages in connection with the fines levied against the earnings of factory workers. "Every manufacturer has for his own private use a regular penal code by means of which fines are inflicted for every voluntary or involuntary offence." Lateness, accidents, even conversation or laughter result in a fine. "Thus the manufacturer uses every means of reducing the nominal wage," even profiting from the workers' misfortune. The level of wages is constantly falling in relation to profit. Is it not clear that the workers' "social position has grown worse as compared with that of the capitalist?" (CW6, 456–57).

The free trade economists appear to be concerned only with the exchange between wages and other commodities. They ignore the exchange of labor with capital. But reducing the cost of these other commodities, which is their goal, will also reduce wages, and by an even greater amount. "When it costs less to set in motion the machinery which produces commodities, then the things necessary for the maintenance of this machine, called workman, will also cost less" (CW6, 458). Moreover, it is said, free trade will increase the productive forces, the demand for labor will rise, and with it, wages. Marx admits that the most favorable condition for the worker is the growth of capital. When capital remains stationary, trade and industry decline, and the worker "is the first victim. He goes to the wall before the capitalist." But what happens in the opposite case, when there is capital growth? The worker "will go to the wall just the same." Increase of capital "implies the accumulation and the concentration of capital. This centralization involves a greater division of labor and a greater use of machinery. The greater division of labor destroys the especial skill of the laborer" and increases competition among the workers. Finally, growth of capital leads to overproduction, and "crises increase in frequency and intensity. But every crisis in turn hastens the concentration of capital, adds to the proletariat. Thus, as productive capital grows, competition among the workers grows too, and grows in a far greater proportion. The reward of labor is less for all, and the burden of labor is increased for some at least" (CW6, 459–60). According to the doctrine of free trade, "competition reduces the price of every commodity to the minimum cost of production. Thus the minimum of wages is the natural price of labor. And what is the minimum of wages? Just so much as is required for production of the articles absolutely necessary for the maintenance of the worker, for the continuation, by hook or by crook, of his own existence and that of his class." "But do not imagine," he adds, "that the worker receives *only* this minimum wage, and still less that he *always* receives it." No, this minimum is an average; however, "as means are constantly being found for the maintenance of labor on cheaper and more wretched food, the minimum of wages is constantly sinking" (CW6, 462–63).

The defeat of revolution on the Continent and the threat of it in England marked a new phase in European history. Economic expansion and political stability in the 1850s meant the end of the turmoil associated with the "hungry forties." Marx was now an emigré in London, where he had access to the resources of the British Museum for continuing his study of political economy. He was also eventually placed in contact for the first time with the modern labor movement. In an article for the *New York Daily Tribune* (of which he was the chief European correspondent) of February 8, 1853, he observed: "At present there is manifested a general demand for higher wages, on the part of working-men. . . . This demand is owing to the prevailing prosperity and cannot be considered as a very particular event" (CW11, 502). By June, however, he was reporting on the fact that "an almost general system of strikes [has] burst over the whole surface of England, particularly in the industrial North. . . . These strikes are the necessary consequence of a comparative decrease in the labor-surplus, coinciding with a general rise in the prices of the first necessities" (CW12, 134). And on July 1, he reported: "Strikes and combinations of workmen are proceeding rapidly, and to an unprecedented extent. . . . Each mail brings new reports of strikes; the turnout grows epidemic" (CW12, 168).

But by September the strike movement, which was still spreading, began to be overshadowed by a

reversal in the market and an approaching crisis, and Marx examines some of the underlying dynamics of the situation.

Six months ago the work-people, had they even found their position not strengthened by the great demand for their labor, by constant and enormous emigration to the gold fields and to America, must have inferred the enhancement of industrial profits from the general prosperity-cry uttered by the middle-class press exulting at the blessings of Free Trade. The workmen, of course, demanded their share of that so loudly proclaimed prosperity, but the masters fought hard against them. Then, the workmen combine, threaten to strike, enforce their demands in a more or less amicable manner. . . .

Now, what did the strikes prove, if not that the workmen preferred applying a mode of their own testing the proportion of the supply to the demand rather than to trust to the interested assurances of their employers? Under certain circumstances, there is for the workman no other means of ascertaining whether he is or not paid the actual market value of his labor, but to strike or to threaten to do so. (CW12, 332–33)

This in essence was Clausewitz's dictum, that no equivalent can replace a battle, though it was also suggested (in language that resembles this), as we saw, by McCulloch in 1826. It thus represents a major turning point in the development of Marx's wage theory, in which the notion that wages necessarily represent a bare minimum had been abandoned, and the corollary of this—the economic justification of trade unions—was established for the first time.

"The constant success of these strikes," he continued, "while it generalized them all over the country, was the best proof of their legitimacy, and their rapid succession in the same branch of trade, by the same 'hands' claiming fresh advances, fully proved that according to supply and demand the work-people had long been entitled to a rise of wages, which was merely kept from them on account of their being ignorant of the state of the labor market" (CW12, 333). However, he did not believe that the workers were in for a succession of wage increases: "should, as I suppose, the depression prove lasting, the work-people will soon get the worst of it, and have to struggle—very unsuccessfully—against *reduction*" (CW12, 334). And even with a resumption of prosperity, they would need to continue their struggle if they were to obtain future increases. "It is altogether too naïve to suggest," he wrote to a correspondent, "that, if the total product of labour rises, the three classes among whom it is to be shared will share *equally* in that growth. If profit were to rise by 20%, the workers would have to strike to obtain a 2% rise in wages" (CW39, 384).

NOTES

1. It was also in Paris that Marx first made direct contact with workers who shared this outlook. In a letter of August 11, 1844, to Ludwig Feuerbach, Marx wrote: "You would have to attend one of the meetings of the French workers to appreciate the pure freshness, the nobility which burst forth from these toil-worn men" (CW3, 355).

2. Smith had said of course that wages were the result of a "contract" between the two parties.

3. Trade unions were still outlawed in France and would be for another twenty years, while elsewhere on the Continent they were practically unheard of. Only in England and the United States did trade unions enjoy a measure of legal toleration.

4. His critique of this notion as absurdly fantastic may be found in *The Poverty of Philosophy* and *Value, Price, and Profit*. The demand for "equal wages for equal work," often raised in defense of female workers, is another matter entirely, and was supported by both Marx and Engels.

5. All references to Marx and Engels 1956–68 are given as *Werke*, followed by the volume number.

6. In their political collaboration, too, Marx made sure that his connection with Engels was understood by others. He advised one correspondent to consider Engels "as my *alter ego*" (CW41, 215), and writing to German Social Democratic leader Wilhelm Bracke, he pointedly let drop that he and Engels "always show one another everything that has a bearing on party interests" (CW45, 151). Engels told Eduard Bernstein that he and Marx "always arrange between us whatever public actions we take" (*Werke* 35, 342).

7. For Engels's early experience in Manchester, see Marcus 1974. See also his dedication to the

workers of Britain in *The Condition of the Working Class in England*, where he spoke of having witnessed "your struggles against the social and political power of your oppressors" (CW4, 297).

8. That it is exclusively devoted to the wage question resulted from his inability to complete the series. His original intention was to divide the work into three sections, in which only the first would deal with "the relation of *wage labour to capital*, the slavery of the worker, the domination of the capitalist." The rest of the work would take up the destruction of the petty bourgeoisie under the present system and the "*subjugation and exploitation of the bourgeois classes of the various European nations* by the despot of the world market—*England*" (CW9, 198).

9. In *The Poverty of Philosophy* he had written: "It is because wages, as a result of competition, oscillate now above, now below, the price of food necessary for the sustenance of the worker, that he can participate to a certain extent in the development of collective wealth, and can also perish from want" (CW6, 160).

Chapter 8

The *Grundrisse* and the *Economic Manuscript of 1861–63*

The exchange of a part of capital for living labour capacity can and must be considered a special moment of the [production] process, since the labour market is regulated by other laws than the produce market.

—Marx

Between 1844 and 1853, Marx's investigations into political economy proceeded along a somewhat haphazard course, dictated as much by purposes extraneous—polemical, propagandistic, journalistic—as by the pursuit of a preconceived plan. In these early writings, surveyed in the previous chapter, he arrived at a loose, preliminary assemblage of many of the main elements in his wage theory. But so long as he had not yet created a theoretical structure in which capital's "law of motion" was fully described, any theory of wage determination would have to be incomplete.

Only as he acquired a deeper knowledge of the material did Marx become conscious of the real nature of the task required of him—a work systematically analyzing the hidden, inner dynamics of the capitalist economy, and, in the process, revolutionizing the science. Such an immense undertaking, requiring a mastery of the previous literature in political economy as well as a command of vast amounts of economic data, could not of course be accomplished overnight. Before he could bring *Capital* to completion he needed to struggle through several drafts, in which he also had the problem of finding the proper analytical form for his inquiry. It is in this preparatory material leading up to the publication of *Capital*—the *Grundrisse* and mainly the *Economic Manuscript of 1861–63*—that Marx's mature wage theory was first formulated.

The *Grundrisse der Kritik der politischen Ökonomie (Rohentwurf)* or *Outlines of the Critique of Political Economy (Rough Draft)* was written between August 1857 and June 1858. It was first published in 1939 and 1941, and selections from it appeared in English in 1965 and 1971, with the first complete translation appearing in 1973. Regarded as the first draft of *Capital*, various claims have been made as to its merits. Ernest Mandel has suggested that it virtually completed Marx's elaboration of his wage theory, presenting "a more dialectical, more finished, and more mature view of the wage problem, a view that was to remain practically unchanged down to the writing of *Capital*" (Mandel 1971, 145). In a similar vein, Martin Nicolaus observed that in it "the relevance of labour unions receives a theoretical foundation" (Marx 1973, 49). Roman Rosdolsky, on the other hand, argued that there is "no analysis of the wage" in this work, and that if anything Marx tended to express an incorrect view on the subject, which "was not corrected until later" (Rosdolsky 1977, 57, 58n). These differing interpretations serve to illustrate, aside from the contested terrain of Marx scholarship, the difficulty in correctly apprehending this text.

When reading Marx's statements on wages in the *Grundrisse* it is important to recall that it is a rough draft executed for self-clarification and was not intended for publication. It is a transitional work, in which fundamental ideas (such as the origins of surplus value or the dual nature of labor) are for the first time clearly worked out. Thus, while portions of it are as developed as any of his later writings, in other passages the conceptualizing remains incomplete. Within the boundaries of the work itself there is evidence therefore of the evolutionary process taking place in Marx's thought. Publication of the *Grundrisse* was received as "a veritable revelation," as Rosdolsky said, because it "admitted us, so to speak, into Marx's economic laboratory, revealing all the ingenuities, all the winding paths of his methodology" (cited in Mandel 1971, 101). While this presents opportunities for discovery, it also poses in another way the problem of interpretation. Reading the *Grundrisse* presents different challenges than reading, say, volume 1 of *Capital*. As Marx reminds us, "the method of presentation must differ in form from that of inquiry" (CW35, 19). This manuscript reflects that process of inquiry.

For example, at several points in the text Marx defers embarking on an analysis of wages, disclosing instead an intention (that went unfulfilled) to discuss them in a separate section or chapter. Thus, he writes: "We shall deal with the demand [of workers for a share in profits] in the section on the *wages of labour*"; or, an analysis of the working day "belongs in the Chapter on *Wages*." And, "This is not yet the place for the further development of the argument as to how the wages of labour are determined like all other commodities by the labour time necessary to produce the worker as such" (CW28, 217, 261n, 212). Although there are a number of remarks pertaining to wages in this work, the manuscript breaks off before there is any extended discussion of them. Marx's references to a special section or chapter, however, have been misconstrued by some writers as evidence that later he planned to produce a separate work dealing with wage labor that would follow the publication of *Capital* and complete the exposition of his wage theory. But if, rather than reading into these remarks a meaning that they clearly do not have, we take them at face value and allow Marx's intentions to emerge as he actually expressed them, we shall get much closer to the truth on this question.

Another misinterpretation involves the relation of his analytical method to his treatment of wages. He states that the general capital– labor relation was being investigated separately from the interplay of market factors that determine the actual level of wages:

The fact that in practice, capital both in its general tendency and directly via the *price*, as e.g. in the truck-system, tries to cheat *necessary* labour¹ and to depress it below the standard set by nature as well as by a particular state of society, is irrelevant here. Here we must assume throughout that the wages being paid are *economically* just, i.e. determined by the general laws of political economy. The contradictions here must follow from the general relations themselves, not from the fraudulent tricks of individual capitalists. How all this develops in reality belongs to the theory of wages. (CW28, 354)

Thus he told Engels that "wages are invariably assumed to be at their minimum. . . . Only by this procedure is it possible to discuss one relation without discussing all the rest" (CW40, 298). By "minimum," however, he did not mean the bare requisite for physical subsistence, nor did he think that such an abnormal wage was "economically just." Rosdolsky, however, mistakenly took this to be Marx's meaning, which is why he believed that the treatment of wages in the *Grundrisse* was incorrect.

While it is true that in Marx's early writings he spoke of a wage "minimum" that corresponded to bare subsistence, by this time he had attached another meaning to this term. This is evident from his mention of a "standard set by nature as well as by a *particular state of society*." This was later made clear in his *Economic Manuscript of 1861–63*, where he explained:

The wage which corresponds to the value of labour capacity is . . . the *average wage*, which is also called the *minimum wage or salary*, whereby we understand by minimum not the extreme limit of physical necessity but the average daily wage over e.g. one year, in which are balanced out the prices of labour capacity during that time, which now stand above their value, and now fall below it. (CW30, 52)

In the *Grundrisse* too he indicated that he no longer meant by the term "minimum" what he had in his early writings:

For the time being, necessary labour as such is assumed, i.e. that the worker always receives only the necessary minimum of wages. This assumption is, of course, necessary in order to establish the laws of profit, to the extent that they are not determined by the rise and fall of wages or by the influence of landed property. All the *solid* assumptions themselves become fluid in the course of the analysis. But it is only by fixing them at the outset that one can undertake the analysis without confounding everything. Besides, it is practically sure, that, for instance, however the standard of necessary labour may differ at various epochs and in various countries, or how[ever] much, in consequence of the changing prices of raw produce, its ratio, or in consequence of the demand and supply of labour its amount and ratio may change, at any given epoch the standard is to be considered and acted upon as a fixed one by capital. To consider those changes themselves belongs altogether to the chapter treating of wages-labour. (CW29, 196–97)

By identifying the "necessary minimum" with the "standard of necessary labor," suggesting that the latter is culturally and historically determined, it is clear that this "minimum" is not a "physiological minimum" or that "bare subsistence" of which Marx and other writers spoke in the 1840s. Moreover, he explains that his assumption "that the worker always receives only the necessary minimum of wages" is a technical component of his analysis of surplus value. It is a methodological assumption, in other words, just as in volume 1 of *Capital*, where he said that he was assuming for purposes of analysis only that commodities are exchanged at their value, and thus the worker is paid the value of his or her labor power, although in reality this is not usually the case.

What analysis is there then in the *Grundrisse* of how wages are determined? In the first place, Marx says that the level of wages "concerns the general relationship [between capital and labor] so little that it cannot be deduced from it as such" (CW28, 212). However, later disputing Ricardo's claim that competition among the workers explains the level of wages, he says that it may be responsible for reducing wage levels "but the general standard of wages" cannot be explained in this way "but only by the original relation between capital and labour." Competition does not establish the laws of the bourgeois economy, "but is their executor" (CW28, 475). These seemingly contradictory remarks illustrate the difficulty of trying to define Marx's position in what is essentially a transitional work. Still, certain fundamental elements of his theory are clearly posed.

Basing himself on the Ricardian law of value, as he had previously, he writes: "The *value* (the real exchange value) of all commodities (including labour) is determined by their production costs, in other words, by the labour time required for their production. Their *price* is this exchange value of theirs expressed in money" (CW28, 74). Although he speaks here only of the commodity "labor," he has in the back of his mind the concept "labor power." We know this because of his analysis in *Wage Labour and Capital* and because later in the manuscript he adopts the correct term explicitly (if not always consistently), as it was necessary for him to do to uncover the process by which surplus value is appropriated. This hinges on the distinction between labor as use value, that is, actual labor (which creates value), and labor as exchange value, or the value of the ability of the worker to engage in labor. Marx thus introduces the concept of the dual nature of labor: the worker sells his or her labor power, but the capitalist receives the worker's labor time.

Similarly, the labour which is sold by the worker as *use value* to capital, is for the worker his *exchange value* which he wants to realise, but which has already been *determined* before this act of exchange, is presupposed as condition for it, determined like the value of every other commodity by demand and supply or, in general—and we are concerned here only with the general level—by the costs of production, the quantity of objectified labour, by which the worker's labour capacity has been produced and which it therefore receives as equivalent. (CW28, 232–33)

Marx asks again, "how is the worker's value determined? By the objectified labour contained in his commodity. This commodity exists in his vitality. In order to maintain it from day to day . . . he must consume a certain quantity of provisions, replace the consumed blood, etc. He receives only an equivalent" (CW28, 248–49).

Marx mentions other factors that affect the determination of wages as he begins to synthesize the various elements of his analysis, already indicated in his previous explorations into the nature of capital. There are changes in the productivity of labor, for example, "for this determines the quantity of necessary labour time." If the means of subsistence can be produced more cheaply, with less labor, they will cost less and wages can be reduced without the workers' level of consumption falling. As a result, the "value of labour . . . is continuously variable, and anything but constant" (CW28, 491). He notes again that the growth of capital and of its productive power imply a diminishing proportion of its variable component—"that part of the capital which is exchanged for living labour, the part which constitutes the wages fund" (CW28, 316).² Thus he further elaborates what he later calls the law of accumulation. It is, he writes,

the tendency of capital to enlarge the working population, as well as constantly to make a part of that

population surplus—that is useless, until such time as capital can utilise it. . . .

With respect to the single working day, the process is, of course, simple: (1) to lengthen it to its natural limits; (2) to shorten more and more the necessary part of it (i.e. to increase the productive forces without limit). . . .

Hence [it is] the tendency of capital just as much to increase the *working population* as constantly to diminish the *necessary* part of it (constantly to reallocate a part of it as a reserve). And the increase in population is itself the chief means for the reduction of the necessary part. (CW28, 326–27)

Marx does not explain what he means by this last, rather elliptical sentence. Is it the downward pressure of "the reserve army of unemployed" on the labor market that he is thinking of? And how would that reduce "the necessary part"? He does not say.

In a discussion of the tendency toward pauperization and Malthus's notion of overpopulation, Marx continues his efforts to adequately express the law of accumulation:

The very concept of the *free labourer* already implies that he is a *pauper*; a virtual pauper. . . . [H]e can only subsist so long as he exchanges his labour capacity for the part of capital which constitutes the wages fund. . . .

Moreover, since the condition of production based on capital is that the worker produces an ever greater quantity of surplus labour, it follows that an ever greater quantity of *necessary labour* is set free. The chances of his sinking into pauperism therefore increase. The development of surplus labour implies that of surplus population.

In different social modes of production, there are different laws governing the growth of population and overpopulation; the latter is identical with pauperism. . . .

Only in the mode of production based on capital does pauperism appear as the result of labour itself, the result of the development of the productive power of labour. . . .

[Malthus] foolishly relates a certain number of men to a certain quantity of means of subsistence. Ricardo straight away countered this by correctly pointing out that the quantity of available grain is quite immaterial for the worker if he is without *employment*; that it is therefore the means of employment and not of subsistence which determine whether or not he belongs in the category of surplus population. . . .

Necessary labour appears superfluous, because superfluous labour is not necessary. . . .

Since the effect of the development of productive power necessarily posited by capital is to increase the ratio of surplus to necessary labour, or to reduce the amount of necessary labour required for a given quantity of surplus labour, then, in a given quantity of labour capacity, the proportion of *necessary* labour required by capital must constantly diminish, i.e., a part of these labour capacities must become superfluous, because [only] a fraction of the amount previously necessary is now sufficient to perform the given quantity of surplus labour.

Positing a certain portion of labour capacity, i.e. of the labour required to reproduce it, as superfluous, is thus a necessary consequence of the increase in the ratio of surplus to necessary labour. The relative decline of necessary labour appears as a relative increase of surplus labour capacities—i.e., as the positing of surplus population. (CW28, 522–28)

This is still a rough, intermediate formulation; Marx has yet to explain more clearly how the drive toward technological development is responsible for the growth in surplus population and the decline in the value of labor power. He simply says: "As we have seen, it is the necessary tendency of capital to increase the productive power of labour and to bring about the greatest possible negation of necessary labour. This tendency is realised by the transformation of the means of labour into machinery" (CW29, 83).

The growth of historically created needs, inherent in the capitalist mode of production, is crucial to Marx's definition of the value of labor power, and it receives more careful consideration here than he had previously given this question. It is in fact the first time that he develops the idea of a cultural determinant of the value of labor power. "Each capitalist knows," he writes, "that he does not confront his own worker as a producer confronts a consumer, and so he wants to restrict his consumption, i.e., his ability to

exchange, his wages, as much as possible.³ But of course he wants the workers of *other* capitalists to be the greatest possible consumers of *his* commodity" (CW28, 346). It is in the nature of the system that each worker's range of pleasures knows only a quantitative, not a qualitative restriction. "This distinguishes him from the slave, serf, etc." (CW28, 213). The capitalist depends on being able to "find all kinds of means to spur them on to consumption, to endow his commodities with new attractions, to talk the workers into feeling new needs, etc. It is precisely this aspect of the relationship between capital and labour which is an essential moment of civilisation, and upon which rests the historical justification but also the present power of capital" (CW28, 217). Thus, he suggests: "capital forces labour beyond the limits of natural need and thus creates the material elements for the development of the rich individuality . . . [in which] natural need has been replaced by historically produced need" (CW28, 251). While this analysis is crucial to Marx's mature concept of the historical aspect of the value of labor power, it is not yet fully and explicitly integrated into it.

The stimulus given to the workers' subjective needs is at the same time encouraged and thwarted by the widening gulf that separates the classes. Relative wages and relative need are reaffirmed as two essential elements of Marx's theory,⁴ as he also connects the wage struggle with the haggling that characterizes bourgeois society and the production of wealth that is no less its hallmark. Since wages have the appearance of an exchange between capital and labor,

the apparent form of barter and exchange prompts the worker, when competition allows him to bargain and haggle with the capitalist, to measure his claims by reference to the capitalist's profit, and to demand a certain share in the surplus value he has produced; so that the *proportion* becomes a real moment of economic life itself. Furthermore, in the struggle between the two classes—which necessarily arises with the development of the working class—the measure of the reciprocal distance between them, which is expressed precisely by wages as a proportion, becomes decisively important. The *semblance of exchange* disappears in the process of the mode of production based on capital. The process itself and its repetition now posits what is the case in itself, namely that the worker receives in his wages from the capitalist only a part of his own labour. Eventually, this enters the consciousness of both the workers and the capitalists. (CW28, 516–17)

As already noted, one of Marx's most important insights was into the dual nature of labor. What the worker sells is not "labor," pure and simple, but his or her labor capacity, and he or she is paid according to its exchange value, or the costs of bringing that commodity to market, in other words, the values necessary to produce and maintain the worker. What the capitalist receives, however, is the use value of that commodity, the living labor time that imparts new value, a greater amount than is contained in the worker's wages, to the object of labor. This analysis, though suggested in embryonic form in *Wage Labour and Capital*, is now consciously put forward as the foundation of Marx's theory of surplus value.

The capitalist does not directly exchange capital for labour or labour time; he exchanges time contained, worked up in commodities, for time contained, worked up in the living labour capacity. The living labour time which he gets through exchange is not the exchange value of the labour capacity but its use value. . . . The labour time contained in the labour capacity, i.e. the time necessary to produce the living labour capacity, is the same as is necessary—given the same level of the productive forces—to reproduce it, i.e., to maintain it. (CW29, 63–64)

Marx's analysis of the dual nature of labor was the key to unlocking the secret of surplus value. For the first time in the history of economic analysis, he showed how it originates without violating the laws of value and exchange.

This, then, is all that the *Grundrisse* provides on the question of wages, and it would seem that both Mandel and Rosdolsky have erred in their evaluation of it. Marx neither offered a complete and fully developed exposition, nor did he entirely avoid any analysis (though there is precious little) or give an incorrect one. Nor is it true, as Nicolaus suggested, that trade unions first received in this work a theoretical foundation, at least not in the sense of Marx's later analysis. If, on the one hand, Marx's

economic justification of trade unionism actually rests on an analysis of the coercive nature of the labor market (aside from showing the wage-fund dogma to be false), this was first arrived at as early as 1853. On the other hand, he first explicitly linked the value of labor power with trade unions only in his manuscript of 1861–63. Nicolaus is correct, though, in pointing to the *Grundrisse* as the first work of economic analysis in which Marx's mature view of wages is at least implicitly expressed.

Between November 1858 and January 1859, Marx wrote *A Contribution to the Critique of Political Economy* (*Zur Kritik der politischen Ökonomie*), based on the material contained in the *Grundrisse*. Intended as the first installment in a series of monographs, it was published in Berlin in June 1859; it first appeared in English in 1904. The *Contribution to the Critique* was devoted to an analysis of the commodity in general and of money; in accordance with Marx's outline, it did not include material on wages. The plan to follow it up with subsequent installments was abandoned, however, and between August 1861 and June 1863 Marx filled a massive series of notebooks in which he made a fresh start.

A large portion of this manuscript of 1861–63, Notebooks VI to XV, was later published as *Theories of Surplus-Value*. As Engels explained, it "contains a detailed critical history of the pith and marrow of Political Economy, the theory of surplus-value, and develops parallel with it, in polemics against predecessors, most of the points later investigated separately and in their logical connection in the manuscript for Books II and III" of *Capital*. After eliminating this latter material Engels intended "to publish the critical part of this manuscript as *Capital*, Book IV" (Marx 1957, 2). However, he was unable to carry this out before his death in 1895, at which time Eleanor Marx and Laura Lafargue asked Karl Kautsky to prepare the manuscript for publication. This was accomplished between 1905 and 1910, under the title *Theorien über den Mehrwert*. Because of defects in his arrangement and presentation of the text, however, a new edition was published in 1954–62 (appearing in English, 1963–71). The complete *Economic Manuscript of 1861–63* was published for the first time in the *Marx-Engels Gesamtausgabe* (MEGA), 1976–82, and in English (1988–94) as part of the *Collected Works*.

Marx begins this work by asking: "How does money become capital?" (CW30, 9). This leads to the fundamental question, Whence comes profit? "The investigation of the origins of surplus value," he writes, "has therefore formed the most important problem of political economy from the Physiocrats to the present day" (CW30, 28). The solution to this depends on an understanding of the dual nature of labor. He observes, as in the *Grundrisse*, that labor power (or labor capacity) has the specific use value of creating exchange value, and that labor capacity itself also possesses an exchange value. "The question is," therefore, "how to determine this value?" As is the case with every other commodity, the value of labor capacity "is equal to the quantity of labour worked up in it, the labour time required to produce labour capacity," and, he adds, "under the given general conditions of production." Since labor capacity "exists only as an ability of the living body of the worker," its value is resolved into "the value of the means of subsistence needed to maintain it, i.e., to maintain the worker's life as a worker, so that having worked today he will be able to repeat the same process under the same conditions the next day." Of course, the worker must receive enough "to nourish children until they themselves can live as workers," since the working class must perpetuate itself. Whatever training or education needed to prepare the worker "also forms a part of the cost of production of labour capacity."

Summing up, Marx writes that the "value of labour capacity can therefore be resolved into the values of the means of subsistence required for the worker to maintain himself as a worker, to live as a worker, and to procreate" (CW30, 42–43). "Naturally," he adds (though it is only now that he really makes this explicit), "the means of subsistence needed by the worker to live as a worker differ from one country to another and from one level of civilisation to another." He cites climatic differences and cultural evolution as obvious factors affecting the worker's requirements for life. "Even the level of the *value* of labour rises or falls when one compares different epochs of the bourgeois period in the same country." And, as is true of all commodities, "the market price of labour capacity at one time rises above and at another falls below the level of its *value*," and is thus represented over time by an average. "It is possible," he says, "to bring down the level of the value of labour capacity by reducing the value of the means of subsistence or the way needs are satisfied, through replacing better by cheaper and inferior provisions, or in general through reducing the scope, the volume of provisions. But in view of the fact that the nourishment of women and

children enters into the determination of the level, the average level, it is also possible, on the other hand, to push down this level by forcing them to work" (CW30, 44, 46).

Because "the wage labourer only emerges from the [labor] process to find himself in the same position in which he entered it," Marx observes that "the nature of the original conditions under which [workers] reproduce their labour capacity and of the average wage or the limits within which they have traditionally to live in order to live as workers" are necessarily of great importance to them (CW30, 116). An example of this is "the struggle in London between the workers in the building industry and the building masters (capitalists), which is still continuing," over the length of the workday and the demand for overtime pay. The workers demand extra pay "because the lengthening of the normal day brings with it not only a quantitative but a qualitative difference, and the daily *value* of labour capacity itself must therefore be subjected to an altered valuation" (CW30, 194). If a thirteen-hour day replaces a twelve-hour day, the worker's labor power will be consumed that much faster, say in fifteen years instead of twenty. Its daily valuation must be that much higher. Aside from all other considerations, it is from the worker's point of view a strictly business-like calculation. When there are no limits on the length of the workday, "One group of workers is thereby overworked, a corresponding group becomes unemployed, and the wages of the employed are forced down by the wage at which the unemployed work" (CW30, 194).

The question of overtime pay was a heated issue in the 1860s, leading to several important strikes. It brought together both of the principal economic issues over which workers were struggling—the length of the workday and the rate of wages. By extending the workday the worker's "labour-power is exhausted in a much greater measure than his wages increase," Marx wrote. Consequently, "if the capitalist is forced to pay more for over-time than for normal working time, then . . . this is by no means an increase in wages, but only compensation for the increased value of over-time—and in reality over-time pay is rarely sufficient to cover this. In fact, in order to pay for the increased wear and tear of labour-power, when over-time is worked, a higher rate ought to be paid for every working hour not merely for the additional hours" (Marx 1971, 309–10).

Indispensable for any evaluation of wage trends in the modern world is Marx's analysis of relative surplus value. Workers have increased their real wages, their material consumption, even as the value of their labor power and their relative wages have fallen. His analysis of this phenomenon, first noticed by Plekhanov in his debate with Bernstein on the question of "increasing misery," has completely eluded his critics. Also presented in *Capital*, it is seen here for the first time.

An increase in surplus value achieved by reducing wages below their average level (without increasing the productivity of labour) is an increase in profit achieved by forcing the worker below the level of his normal conditions of life. On the other hand, an increase in wages over their normal average level is, on the part of the worker, a sharing in, an appropriation of, a part of his own surplus labour (similarly assuming the productive power of labour remains constant). In the first case the capitalist encroaches upon the vital conditions of the workman, and upon the times of labour necessary for its own sustenance. In the second case the workman expropriates part of his own surplus labour. In both cases the one loses what the other gains, but the workman loses in life, what the capitalist gains in money, and in the other case the workman gains in enjoyment of life, what the capitalist loses in the rate of appropriating other people's labour.

Any reduction in necessary labour time which takes place on the assumption that the price of labour capacity is equal to its value, hence that wages are not forced down below normal wages, is possible only through *an increase in the productivity of labour*, or through a *higher development of the productive forces of labour*, which is the same thing.

The "amount of the means of subsistence required for the normal reproduction of labour capacity is not determined by their exchange value but by their use value. . . . [I]f the same amount of the means of subsistence can be produced in a shorter working period owing to an increase in the productivity of real labour, the value of labour capacity will fall, and along with that the labour time required for its reproduction . . . although labour capacity will continue to be sold at its value" (CW30, 235).

By reducing necessary labor time, assuming the workday as a whole is constant, the capitalist is able to appropriate a larger portion of surplus labor when he raises the productivity of labor, although "he is not thinking directly of a diminution of necessary labour time, but of its sale above its value—of *raising it above average labour time*. Of this raised labour time, however, a smaller proportion is needed for the replacement of wages; i.e. the surplus labour time grows, although this growth presents itself in a roundabout way, through sale above value." Since the workday as a whole remains the same, the result is "a fall in the *proportion* in which the worker participates in his own working day. There is a fall in relative wages, or the weight of capital rises in relation to labour" (CW30, 241). Thus,

the presence and the growth of relative surplus value by no means require as a condition that the worker's *life situation* should remain *unchanged*, i.e. that his average wage should always provide the same quantitatively and qualitatively determined amount of means of subsistence and no more. This is not the case, although relative *surplus value* can neither arise nor grow without a corresponding *fall* in the *value of labour capacity* or the *value of wages* (average wages). Indeed, relative surplus value might well rise continuously, and the *value of labour capacity*, hence the value of average wages, fall continuously, yet despite this the range of the worker's means of subsistence and therefore the pleasures of his life could expand continuously. For this is conditioned by the quality and quantity of the *use values* (commodities) he can appropriate, not by their *exchange value*. (CW30, 245)

Given a sufficient development in the productivity of labor, "The worker's life situation would have improved despite the fall in the value of his labour capacity" and the decline in his relative wages (CW30, 250).⁵ This analysis is also restated later (CW34, 65–66).

The labor movement's growing strength and its ability to wrest concessions from employers were reflected in Marx's theory: he now declared with emphasis that variations in the level of wages, and especially their rise above the minimum, were the result of the workers' struggle. The workers, he writes, "although they cannot prevent reductions in (real) wages, will not permit them to be reduced to the absolute minimum; on the contrary, they achieve a certain quantitative participation in the general growth of wealth" (Marx 1971, 312). This also argues against the idea that his wage theory amounts to an "increasing misery" doctrine. Now he challenges the views of Cherbuliez in this area, where previously he had accepted them. "Cherbuliez in fact reaches no other conclusion but that the means of subsistence decline as a consequence of the development of productivity while the working population grows, that is, as a result of the redundant population, wages are consequently pushed down below their value" (Marx 1971, 371). This had been his own opinion in 1847, that the "minimum wage itself changes and constantly falls" (CW6, 421). Now he finds it "ridiculous that Cherbuliez and Ramsay believe that the part of the gross product which can be consumed by the workers and can enter into their consumption in kind has been reduced of necessity or reduced at all" (Marx 1971, 363).

While it "is an incontrovertible fact that, as capitalist production develops, the portion of capital invested in machinery and raw materials grows, and the portion laid out in wages declines," the results are not always one-sided, even though this process "gives rise to a continuous relative redundancy of the working population" (Marx 1971, 364). To be sure, an increase in productivity and lower commodity prices, if the product enters the worker's consumption, "may reduce the *normal wage* or, [what] amounts to the same, the *value of the labour-power*" (Marx 1968, 265). Still, "it must not be imagined that wages in different countries are inversely proportional to the productivity of labour. In fact, exactly the opposite is the case. The more productive one country is relative to another in the world market, the higher will be its wages as compared with the other." He cites the case of England, where both nominal and real wages are higher than on the Continent. "The worker eats more meat; he satisfies more needs" (Marx 1968, 16–17). Measured *against* their productivity, however, the wages of English workers are no higher than in other countries. In his manuscript of 1863–66, Marx elaborated on this point:

In so far as the intensity of labour—other things being equal—is measured by the amount of product delivered by the worker in a given time, one must, when comparing time wages (e.g. the wage for a

working day of a given length) in different countries, compare at the same time the way in which these wages are related to each other when expressed by the piece. Only in that way can one arrive at the true proportion between necessary and surplus labour, or between wages and surplus value. It will then often occur that although time wages are apparently higher in rich countries, piece wages are higher in poor countries, and the worker in fact requires a greater portion of his working day to reproduce his wage in the latter, so that the rate of surplus value is lower here than there, and wages are therefore relatively speaking higher. Hence the real price of labour is in fact higher in poor countries than in rich ones. (CW34, 347)

As he had in earlier writings, Marx again exposes the fallacy of the wage-fund doctrine, observing that "the fund from which the capitalist pays the wage-labourer is nothing but the latter's own product" (Marx 1963, 315). What the capitalist advances the worker today as wages is "only a part of the product which the labourer produced yesterday." Thus, the worker's product, which is the only source of the fund for the maintenance of his or her labor, goes through a transformation in which it "*appears* to be something saved or accumulated from the revenue of *someone else*, i.e., from the revenue of the capitalist." As he explains, "for the labour-fund to undergo these transformations, the conditions of production must confront the labourer as capital," adding, "which is not the case in other modes of production" (Marx 1971, 424–25). This, we saw, was implied in the writings of Richard Jones, though Marx also found it expressed in the work of Thomas Hodgskin.

With regard to the assertion of the economists that the number of workers (and therefore the well-being or poverty of the existing working population) depends on the amount of circulating capital available, Hodgskin comments correctly as follows:

"the number of labourers must at all times depend on the *quantity of circulating capital*; or, as I should say, on the *quantity of the products of coexisting labour*, which labourers are *allowed* to consume."

Hodgskin is saying, in other words, that "the effects of a certain social form of labour are ascribed to objects, to the products of labour; the relationship itself is imagined to exist in *material* form" (Marx 1971, 295).

Marx shows on this basis that the "proposition that wages depend on existing capital and that therefore a rapid accumulation of capital is the sole means by which wages are made to rise" amounts to a tautology, that is, that "the increase in the means of subsistence and the means of employment of the population depends on the productivity of the population's own labour." He concludes: "In practice this means that the worker must appropriate the smallest possible part of the product in order that the largest possible part of it may confront him as *capital*; he must surrender as much as possible to the capitalist *gratis*, in order that the latter's means for purchasing his labour—with what has been taken away from the worker without compensation—may increase as much as possible" (Marx 1971, 244–45). He ridicules political economy's "contradictory admonitions and consoling remarks" to the workers:

They are the people most interested in the accumulation of capital, because it is on this that the demand for them depends. If this demand rises, then the price of labour rises. They must therefore themselves desire the lowering of wages, so that the surplus taken from them, once more filtered through capital, is returned to them for new labour and their wages rise. This rise in wages however is bad, because it restricts accumulation. On the one hand they must not produce children. This brings a fall in the supply of labour, and so its price rises. But this rise diminishes the rate of accumulation, and so diminishes the demand for them and brings down the price of labour. Even quicker than the supply of them falls, capital falls along with it. If they produce children, then they increase their own supply and reduce the price of labour; thus the rate of profit rises, and with it the accumulation of capital; that is to say, the labouring population must be there exactly in the numbers that the capitalist needs—which it does anyway. (Marx 1963, 228–29)

Moreover, "Even if the population grows at the same rate as capital, capitalist development nevertheless results in one part of the population being made redundant, because constant capital develops at the

expense of variable capital" (Marx 1971, 306).⁶

One of the central elements of the wage-fund doctrine was the notion that a specific capital fund is dedicated to the payment of wages, that this fund must be applied toward hiring labor and cannot be used for any other purpose. Marx scoffs at this idea, observing that if newly introduced machinery supplants the labor of ten workers who were employed, say, by a miller, the "miller with his freed capital will build new mills or will lend out his capital if he cannot use it himself as a capitalist. On no account, however, is there a fund '*destined*' for the ten men displaced." It is an "absurd assumption" that the capital made available by the replacement of living labor by machinery "must necessarily be laid out as variable capital (as if there was no possibility of exporting means of subsistence, or spending them on unproductive workers, or [as if] wages in certain spheres could not rise etc.) and must even be paid out to the displaced labourers. Machinery always creates a relative surplus population, a reserve army of workers, which greatly increases the power of capital" (Marx 1968, 554). (It is surprising that no notice has been taken of Marx's extensive critique of the wage-fund dogma. In histories of the doctrine as well as in studies of his economics, his important intervention in the wage-fund dispute has been entirely overlooked.)

In reference to Torrens's view that a displacement of workers by machinery does not diminish the "aggregate fund for the support of labour," he writes:

The whole of this *raisonnement* rests on an incorrect conception of *variable capital*. The latter, considered from the point of view of its material elements, can in fact be resolved into the *commodities that enter into the workers' consumption, the means of subsistence*. But the converse by no means follows from this, namely that these commodities or means of subsistence must be consumed by the workers and form variable capital, with the result that there is a fixed proportion between the number of workers on the one hand and the quantity of the means of subsistence on the other. . . . These means of subsistence are also consumed by the other classes, and they may be consumed by them in greater quantities. (CW34, 55)

It certainly must not be imagined that the *amount of variable capital* is identical with the *increasing amount of the means of subsistence* which, with the *development of the amount of capital and the productivity of labour*, can be converted into variable capital, i.e. *can* be exchanged for living labour; nor should one adopt the fantastic notion that a certain part of the product must be converted into *variable capital* owing to the nature of its use value, or that *variable capital* has any kind of necessary relation to the *amount of the means of subsistence* (or the materials for the means of subsistence) which can enter as means of consumption into the *reproduction* of labour capacity. (CW34, 206–7)

The phrase that no one is more involved in the accumulation process of capital than the worker himself means in the opinion of the vulgarisers that the worker must be happy if he is paid as low a wage as possible (the *rate of surplus value*, further the rate of profit, as high as *possible*), because along with the amount of surplus value or surplus produce . . . the part which is converted into surplus capital grows, and therefore there is a growth in the amount of *additional variable capital* or that part of capital which is converted into wages of productive labour or which is exchanged against labour. If this part grows more rapidly than the labouring population (and the additional demand for labour is determined by it), the *price of labour* will increase above its value, or the average. First a *lessening of the wage* (or at least a relatively low wage) is asserted to be something good; in other words the worker exchanges *as large a part as possible* of his time with the capitalist for nothing, and therefore obtains *as little* of the product of his own labour *as possible*, and this is supposed to be good because the amount of capital employed is thereby increased. Then an increase in the size of this capital is regarded as something good because surplus labour is thereby reduced, or the wage increases. For a greater part of his free labour to flow back to him as wages under particular circumstances he is expected provisionally to appropriate a smaller part of his labour as wages. What pretty, and particularly for the worker what stupid, circular arguments! (CW34, 229–30)

Finally, "the following needs to be remarked about the preposterous economic doctrine of the

physical dependence of wages on the magnitude of the capital available":

If one says that the amount of labour employed depends on the amount of capital available, this is correct in so far as—expressed in absolute terms—it is an *absolute tautology*, which only appears *not* to be a tautology because the moments of labour appear in the *capitalist mode of production* and therefore also in *capitalist ideology* as *autonomous and alien* and *independent* of each other. It means nothing more than this, that the increase in the number of working human beings depends on (or at least finds its limit in) the degree of *productivity of their labour*. . . .

The more developed capitalist production is, the *smaller is the part of the surplus produce* which is reconverted into variable capital, and the greater is the part of the population which is constantly made redundant by the production process. The greater too is the *quantity of labour* which is consumed without increasing the *number of workers*. The supply of labour, be it noted, depends . . . not only on the *number of workers* but on the *length of the working day*. It should also be added that large-scale industry, while on the one hand it constantly creates an artificial redundancy of population, on the other hand creates a situation of the working class in which it reproduces itself on a mass scale as a *tas de misérables* [pack of wretches]. (CW34, 323–24)

The effects of capital accumulation on the value of labor power are various, and Marx tried to analyze them from every possible angle. The introduction of machinery into an industry was one of the most characteristic and visible aspects of this process, and it was one of the questions he considered most important.

Once machinery has been introduced generally into the branch of production . . . there is naturally an increase in this tendency to expand the amount of surplus value—lessened by the reduction in the number of workers—by *absolutely lengthening* the working day, and thus increasing the absolute quantity of labour extracted from this smaller number of workers.

Once barriers have been put up against this tendency and the normal working day has been established, the tendency is to increase the *intensity* of labour and thus to valorise it as standing above simple labour. . . .

In so far as machinery brings about a direct reduction of wages for the workers employed by it, by e.g. using the demand of those rendered unemployed to force down the wages of those in employment, it is not part of our task to deal with this case. It belongs to the theory of wages. In our investigation we proceed from the assumption that the *labour capacity* is paid *at its value*, hence wages are only reduced by the depreciation of that labour capacity, or, what is the same thing, by the cheapening of the means of subsistence entering into the workers' consumption. (CW34, 23)

As previously mentioned and as seen here, Marx distinguishes his analysis of the value of labor power from an analysis of those market factors that cause its price—the wage—to deviate either above or below it. He regards the wage form as the superficial shell of the essential labor–capital relation, its mere phenomenal form; the analysis of its dynamics is therefore a separate, subordinate affair, which he designates as "the theory of wages." The relation between these two spheres remains a source of tension in his analysis.

In volume 1 of *Capital* he tries to reconcile the conflicting claims of these two levels of analysis, with limited success. Regarding the effects of machinery on the working class, however, an ever-present element in all of his writings, he was able in *Capital* to systematically deal with this issue in a manner that satisfies both economic analysis and the historic reality of class struggle. Here he anticipates his central argument:

Firstly: The fact that owing to the direct exploitation of the labour of women and children, who must earn their wages themselves, so that a greater amount of labour from the whole of the worker's family falls to the share of capital, *firstly:* there is an increase in the *total amount of exploitable labour* a given population offers to capital, hence also in the amount of surplus labour extractable from this working

population; *secondly*: the labour capacity of the *adult* worker is depreciated. Previously the worker's wage had to suffice to maintain himself and his family. The wife worked for their house, not for the capitalist, and the children only began to earn the equivalent for their consumption at an advanced age. The wage of the adult *père de famille* had to suffice not only to maintain them *without labour* on their part, but also to replace the cost of developing their labour capacity, which is reduced almost to zero by machinery.

Now, in contrast, women and children not only reproduce an equivalent of their consumption but at the same time [produce] surplus value. Thus the whole family must provide a greater amount of labour, necessary plus surplus labour, must supply more surplus labour in order to squeeze out the same *average wage* for the whole family.

Secondly: In so far as machinery replaces the skilled independent handicraftsman, replacing equally the specialisation developed through the division of labour with simple labour, differentiated at most by distinctions of age and sex, it reduces all labour capacities to *simple* labour capacities and all labour to simple labour, whereby the total amount of labour capacities is depreciated.

Moreover, the experience of strikes demonstrates "that machinery is invented and employed in direct opposition to the claims of living labour, and that it appears as a means of defeating and breaking them" (CW34, 24, 29).

On the other hand, the general decline in the value of labor power due to technological development can be reversed for segments of the working class:

In so far as what is involved here is the *value of labour capacity*, which determines the *price of labour* . . . , this must necessarily be reduced by the development of the productive powers of labour, in the same way as is the *value* of every other commodity. It can only be *raised* to the extent that the development of the capitalist mode of production demands the formation of labour capacities whose more complex labour makes necessary a higher *individual* development of these labour capacities, with the result that the amount of value (labour) required for their production is greater. This does not affect the great mass of workers, on whom the capitalist mode of production has rather the opposite effect. (CW34, 148)

Only toward the end of this vast manuscript does Marx mention the role of trade unions in connection with the value of labor power. This addition to his theory was partly influenced by T. J. Dunning (though both he and Dunning were responding to the newly found strength with which the union movement asserted its claims). He develops this theme only in the manuscript of 1863–66 (examined in chap. 9), however, disclosing an intention (never realized) to include it in *Capital*. Here he writes:

If we consider the total capital in relation to the *value of labour capacity* as given—or, popularly speaking, the *average wage of labour* as given—this *quality of being given*—the limit of the wage—is a presupposition which *every individual capitalist* takes as his starting point in the conversion of money into capital. He [finds] certain average wages in each branch of industry. . . .

It is one of the tasks of the Trades' Unions to keep this average in existence, whereas the individual capitalist acts against the maintenance of the average, in order to force the individual worker's wages down *below* the average.

This must all be brought in here, in order to show the importance of this average, in practice as well. (CW34, 168–69)

If Marx was slow to integrate this into his theory, that could only have been because it was the situation then (as it still often is) that "a strike on the part of the workers . . . only succeeds under the most extraordinary circumstances" (CW34, 305).⁷

The struggle for a normal workday, on the other hand, which was carried out on a mass scale and was highly politicized, achieved greater success and received more attention from Marx. He was very clear about the need for collective action in this arena earlier than he was with regard to wages:

Whether the worker provides surplus labour of more than the normal amount or not will depend on the power of resistance he is able to oppose to the measureless demands of capital. The history of modern industry teaches us, however, that the measureless demands of capital could never be held in check by the isolated efforts of the worker. The struggle had instead to take on the form of a class struggle, and thereby call forth the intervention of the state power, before the overall daily labour time was confined within certain limits. (CW30, 184)

His celebrated history of this struggle in volume 1 of *Capital* (chap. 10), where he wrote that the "creation of a normal working day is . . . the product of a protracted civil war . . . between the capitalist class and the working class" (CW35, 303), contrasts with the lack of any comparable treatment of the trade union struggle over wages. But the rationale for both of these struggles is the same, with one qualification. The struggle for a normal workday aimed at winning state intervention, thus transforming an economic contest between the classes into a political one. Marx never anticipated a political solution to the struggle over wages within the framework of bourgeois society, only one that would shatter it.

NOTES

1. By "necessary labor," a term that he employs for the first time, Marx refers to the labor time in which the worker produces values equivalent to his or her labor power. Necessary labor thus is counterposed to surplus labor, that part of the workday when surplus value is created.
2. Marx's many references to the "wages fund" in this work should not, of course, be taken as an endorsement of the doctrine associated with that term.
3. It is "essential for capital," he writes, "to limit the consumption of the worker to what is necessary for the reproduction of his labour capacity, i.e. to make the *value* which expresses *necessary labour* the limit of the utilisation of the worker's labour capacity and hence of his *capacity to exchange*, and to try to reduce to a minimum the ratio of this necessary labour to surplus labour" (CW28, 350).
4. "But it is a law of the development of human nature that once the satisfaction of a certain sphere of needs has been assured *new needs* are set free, created" (CW30, 199).
5. Having demonstrated the law of relative surplus value—"that a greater part of the working day is appropriated by capital as a result of rises in productivity"—Marx assails "the preposterousness of wanting to refute this law by statistical demonstrations that the material condition of the worker has improved here or there, in this or that aspect, as a result of the development of the productive power of labour" (CW30, 250).
6. The terms "constant" and "variable" capital, which Marx coined, refer respectively to the capital invested in means of production and in labor power. The former is "constant" because it imparts only its original value to the commodity, while "variable" capital, or wages, is augmented by the surplus value supplied by the laborer.
7. As late as 1870, Marx believed that England was still "the only country where the class struggle and organization of the working class by the Trades Unions have acquired a certain degree of maturity and universality" (cited in Lapides 1987, xix).

Chapter 9

Value, Price, and Profit

I believe I have had as much experience as any of my contemporaries in the field of trades unions.

—Marx

In the early summer of 1865, Marx delivered a paper to the members and invited friends of the London General Council of the International Workingmen's Association. It was read over the course of two council meetings in June as part of a debate on the merits of trade unions. This document, a defense of working-class wage struggles and an anticipation (as he expressed it) of some of the fundamental ideas shortly to appear in volume 1 of *Capital*, was published only posthumously in 1898 by Eleanor Marx (with an introduction by Edward Aveling). It was given the title *Value, Price, and Profit*,¹ and it has for the past one hundred years been one of the most widely read and influential statements of Marx's economic theory. The only popular summary in his own words of his theory of the economic relation between labor and capital, it has served as an introduction to *Capital* and as an indispensable orientation to the labor movement for generations of Marxist cadre.

Despite all its popularity, and though it was a significant intervention in the wage-fund controversy at its apogee with far-reaching effects on the working-class movement, scholars have given only scant attention to *Value, Price, and Profit*. Yet the questions it raises have lingered unanswered and, perhaps, unanswerable. Addressed to a trade union audience on the subject of trade unions, it throws into relief the puzzling absence of any similar discussion in *Capital*. Though the circumstances in which *Value, Price, and Profit* was written are fairly well known, there has been a surprising amount of misinformation mixed in with many of the accounts. We review those events therefore and explore that unique intellectual conjuncture, where the trajectory of Marx's theoretical development and the political-ideological struggle of organized labor intersected.

About the same time as this address to the General Council, Marx discussed more clearly than ever before or since the influence of trade unions on the value of labor power. This brief but important analysis, written sometime between 1863 and 1866, is from a lost, third draft of *Capital*, the last version before the publication of volume 1 in 1867. This and a related document contemplating the value of labor power from a historical perspective are also presented for examination. Finally, appended to this discussion is material from a little-known series of articles by J. G. Eccarius that has never before been reproduced, but which is (in part at least) a product of Marx's pen on the subject of John Stuart Mill's doctrine of "Wages and Population."

Europe in the 1860s was in ferment. It was a time, George Eliot recalled, "when ideas were with fresh vigour making armies of themselves." The emancipation of serfs in Russia and slaves in the United States heralded the profound transformation that labor in Western Europe was awakening to. In England the foundations of the modern labor movement were being laid and working-class organizations were experimenting with new approaches to longstanding problems and inherited grievances. Labor's political disenfranchisement, the legal disabilities imposed on trade unions, the employers' refusal to recognize the aspirations of working people for a better life (backed up by their importation of foreign strikebreakers), the lack of a sympathetic public response to workers' wage struggles—these and other issues on labor's agenda could no longer be postponed. Foremost among those experiments was the founding in London in 1864 of the International Workingmen's Association (IWA) by trade unionists and their supporters, with emissaries from Paris and the participation of continental radicals who had found refuge in England. Among the latter was Marx, an emigré in London since 1849.

The International was halfway into its first year when General Council member John Westor proposed for debate two resolutions critical of trade union efforts to raise wages. An enforced increase of wages, he believed, could only be achieved at the expense of the earnings and employment of other

workers, and would anyway be nullified by necessarily resulting price increases. Although Weston's view was not shared at all by his trade unionist colleagues on the council or by general working-class opinion in Britain, it did reflect bourgeois public opinion and rested on the wage-fund dogma promoted by the leading economic ideologues. More important, Weston's view was in tune with the attitude of the continental socialists with whom the General Council of the International was struggling for the direction of the organization. The followers of P.-J. Proudhon in France and Ferdinand Lassalle in Germany were also opposed to strike struggles and other forms of labor militancy. The London-based council, the coordinating and directing body of the association, could not ignore Weston's challenge without placing the organization's future at risk. As Marx cautioned the council members: "There reigns now on the Continent a real epidemic of strikes, and a general clamour for a rise of wages. The question will turn up at our Congress. You, as the head of the International Association, ought to have settled convictions upon this paramount question" (CW20, 103).

The debate between Marx and Weston thus represented the historic clash between the traditional, orthodox view of wages upheld by economists from Malthus to Mill and which had infiltrated socialist thought (Lassalle's "iron law of wages"), on the one hand, and the new view of wages then being formulated by Marx and which was not to fully emerge until the publication of *Capital*, on the other. In *Value, Price, and Profit* Marx explained publicly for the first time his mature wage theory, including his theory of exploitation or surplus value. His comments on the trade union struggle, which never found their way (as he seemed to imply they might) into *Capital*, have made it an essential text of the Marxist canon. It is required reading for anyone who would understand Marx's attitude toward the labor movement.

Because of his debate with Weston and also his subsequent efforts, the first international working-class organization in history overrode doctrinaire objections and proclaimed wage increases and an eight-hour day as legitimate and fundamental demands of the labor movement. The alliance between Marx and the British trade unionists on the General Council that was cemented by his defense of wage increases gave him the organizational strength inside the association he needed to defeat the influence of Proudhon and Lassalle in the struggle over its basic program. A failure, on the other hand, to support the strikes in Europe or the growing demand for a legal limitation of the hours of labor would have condemned the International to the moribund status of a sect. The 1866 Geneva Congress of the association, at which the defense of trade unionism and the demand for the eight-hour day were adopted, was a major turning point therefore in the development of the modern working-class movement. When the strike wave on the continent had gathered force and the International Workingmen's Association was reproached by the authorities for instigating it, Marx could reply with satisfaction: "it was not the International that threw the workmen into strikes, but, on the contrary, it was the strikes that threw the workmen into the International" (cited in Lapides 1987, 74–75).

As a viable mass organization the International gave Marx the platform that enabled him to extend his theoretical influence throughout Europe and North America. This was considerably aided by the publication of volume 1 of *Capital* and its wide circulation among workers in Germany and the United States, which received a large German emigration. Marx said that the appreciation his book "rapidly gained in wide circles of the German working class is the best reward of my labours" (CW35, 13). In England the Webbs observed that Marx's depiction of modern industry was embraced, within only a few years after publication of the first English edition of volume 1 in 1887, by "the thoughtful workman" (Webb 1920a, 376). As a result therefore of his participation in the various programmatic disputes that took place within the framework of the International, not the least of which was the trade union issue, "in Marx's own lifetime his conception of the class struggle displaced the flawed doctrines of all other socialist contenders for the ideological leadership of the working class" (Lapides 1987, xii).

There is only a small documentary record of the pre-publication history of *Value, Price, and Profit*. Other than a few references in the minutes of the General Council and a brief exchange of letters between Marx and Engels at the same time, there is no mention of this document until the manuscript was discovered by Eleanor Marx in 1897, more than thirty years after its composition. We first learn of the events leading up to the debate with Weston in the council's minutes for March 14, 1865.² At that meeting,

Citizen *Weston* gave notice of the following propositions for discussion at the earliest opportunity:

1st. Would not an advance of wages of any particular section of industry be secured at the cost of the other sections.

2nd. Would not the supposed advantages of a general rise in wages be negated by the corresponding advance in prices. (Institute of Marxism-Leninism 1962, vol. 1, 81–82)

There is no mention of any response to Weston's request for discussion, and at the council meeting on April 4 he again "proposed for discussion the following questions":

1st. Can the social and material prosperity of the working classes generally be improved by means of higher wages.

2nd. Do not the efforts of Trades Societies to secure higher wages operate prejudicially to the other sections of industry.

The proposer declared that he would support the negative of the first and the affirmative of the second proposition.

It was unanimously carried to place these questions "on the order of the day for discussion" (ibid., 88).

At the council meeting of April 11, it was agreed that Weston's propositions would be discussed on May 2, with members of the association eligible to attend and council members free to bring a friend. The minutes for May 2 indicate that Weston read part of a paper on wages, with the remainder held over to the next meeting. At that time, however, the discussion was adjourned until a special session Saturday evening, May 20, devoted entirely to the question. On that day Marx wrote to Engels:

Special meeting of the "International" this evening. A good old codger, an old Owenist, *Weston* (carpenter), has put up the following two propositions that he is constantly defending in *The Bee-Hive*:³

1. that a general . . . rise of the rate of wages would be of no benefit to the workers;
2. that the Trades-Unions for that reason, etc., are *harmful*.

If these two propositions, in which *he* alone in our society believes, were to be accepted, we should be in a terrible mess, both in respect of the Trades-Unions here and the infection of strikes now prevailing on the Continent.

He will be supported in the matter by a native Englishman—since non-members are also admitted to this meeting—who has written a pamphlet to the same effect.⁴ I am, of course, expected to produce a refutation. I ought therefore really to have worked out my *réplique* for this evening, but I thought it more important to get on with writing my book, and so I shall have to rely on improvisation.

I know in advance, of course, what the two main points⁵ will be:

1. that *wages* determine the value of commodities;
2. that if the capitalists pay 5s. today instead of 4, tomorrow they will sell their commodities for 5s. instead of 4 (being enabled to do so by the increased demand).

Trite though that is, and however little it penetrates the topmost surface of things, it is, nevertheless, not easy to explain to the ignorant all the competing economic questions involved. You can't compress a course of Political Economy into 1 hour. But we shall do our best. (CW42, 159–60)

There is no record of this meeting. The minutes resume on May 23, indicating that the debate which had been adjourned was continued and that after Weston spoke Marx opposed the views expressed. The debate was again adjourned, this time until May 30. There is no mention in the minutes of any progress in the debate until June 6, when Marx states that when it is resumed he intends to "read a paper in reply and propose a series of counter-resolutions" (Institute of Marxism-Leninism 1962, vol. 1, 105). The minutes for the meeting of June 20 state that Marx read part of his paper, with the remainder held over until the meeting of the 27th. From this chronology it appears that *Value, Price, and Profit* was written sometime between May 20 and June 27.

In a letter to Engels dated June 24, Marx asked:

I should like your advice on the following point:

I read a paper (which would perhaps cover two printed sheets) at the Central Council about the question raised by Mr Weston as to the effect of a general rise of wages, etc. The first part of it is a reply to Weston's nonsense; the second a theoretical exposition, insofar as it was appropriate for the occasion.

Now they want to have it printed. On the one hand, that could perhaps be useful to me, since they are in contact with J. St. Mill, Professor Beesly, Harrison, etc. On the other hand, I have my doubts:

1. to have "Mr Weston" as adversary is not exactly "vairy-flettering";

2. the second part of the paper contains, in an extraordinarily condensed but relatively popular form, many new ideas which are anticipated from my book, whilst at the same time it does, of necessity, have to skate over a lot of problems. The question is, whether it is advisable to anticipate things of that kind in such a way?

I think you can decide on this better than I can because you can look at the matter with more detachment from a distance. (CW42, 162–63)

In his reply of July 15, Engels was not encouraging (not surprising in view of Marx's description):

I don't think that you would win many laurels by a disputation with Mr Weston, and it would certainly not make a good début in English economic literature. Otherwise, I cannot see it would do much harm to anticipate a few odd points from your book. (CW42, 168)

Whether because of Engels's lack of enthusiasm or for other reasons that we do not know, neither Marx nor the council proceeded with publication. (The council minutes indicate that the expense involved may have been a factor, but normally Marx would have turned to Engels in such a case.) In any event the manuscript only came to light after Engels's death, when Eleanor Marx was going through her father's papers. She made the discovery in April 1897, describing it to Kautsky as "*a magnificent paper of Mohr's read by him (Oh! the work that man did!) to the Council of the I.W.M.A.*"⁶ An admirable *economic exposition*. . . . Written for workingmen," adding that it was "very simple & clear." She thought it would "make a very popular pamphlet" (cited in Kapp 1976, 648). Published in London in 1898, the title page read "*Value, Price, and Profit: Addressed to Working Men* by Karl Marx. Edited by His Daughter Eleanor Marx Aveling."⁷

Acknowledging Weston's "moral courage" in defending "opinions he knows to be most unpopular with the working class," Marx begins his address by observing that these views are "theoretically false and practically dangerous." He shows that they rest on two erroneous assumptions, "that the *amount of national production* is a *fixed thing*," and "that the *amount of real wages*, that is to say, of wages as measured by the quantity of the commodities they can buy, is a *fixed* amount, a *constant* magnitude." This, of course, was the central doctrine of the wage-fund theory, though he does not refer to it by name. But, he observes, if it is "a constant magnitude, then it can be neither increased nor diminished." If the workers are foolish in attempting to raise wages, the employers are no less so in attempting to lower them. Workers rightfully seek an increase in wages, since that is simply a reaction to the attempt to reduce them. Thus, it is consistent with Weston's principle of the constancy of wages for workers "to combine and struggle for a rise of wages" (CW20, 103–5).

Turning to the argument that if workers gain a wage increase today, tomorrow they will pay that much more as consumers, he observes that this too is reducible to a belief in the fixity of wages—that higher nominal wages will only command the same amount of goods as previously obtained. But if wages are fixed at four shillings, why not at three, or two? Weston is obligated to state and to prove the economic law according to which wages are fixed at one sum and no other. "If, on the other hand, the given limit of the amount of wages is founded on the *mere will* of the capitalist, or the limits of his avarice, it is an arbitrary limit. There is nothing necessary in it. It may be changed *by* the will of the capitalist, and may, therefore, be changed *against* his will." Marx takes his listeners through several hypothetical situations in which wages have been raised. He shows that an increased demand for certain commodities occasioned

by higher wages will at first lead to higher prices, greater profits, and an influx of capital into the industries producing these commodities, resulting finally in prices being restored to their original level or even lower. Thus, basing himself on Ricardo's analysis (as he did also in *The Poverty of Philosophy*), he concludes: "the general rise in the rate of wages will ultimately result in nothing else but a general fall in the rate of profit" (106–9).

Examining the relationship between supply and demand, Marx admits that when the supply of labor exceeds the demand for it, wages fall, and that when demand is ahead of supply, wages rise; "although it might in such circumstances be necessary to *test* the real state of demand and supply by a strike, for example, or any other method." However, these relations only account for the fluctuations in price as it deviates above and below its value; "they can never account for that *value* itself" (117–18). The question remains, How is value determined?

Marx challenges the "antiquated and exploded fallacy" at the root of Weston's arguments, that the prices of commodities are determined or regulated by wages. If this were true, then how are wages determined? The value of one commodity cannot be explained by referring it to the value of another; when analyzed, this dogma is reduced to the tautology that "value is determined by value." Marx declares that it was "the great merit of Ricardo that . . . he fundamentally destroyed the old, popular, and worn-out fallacy that 'wages determine prices.'" What then is value and how is it determined? Here he presents the Ricardian doctrine that labor is the source of value: "The *relative values of commodities* are . . . determined by the *respective quantities or amounts of labour, worked up, realised, fixed in them*." He explains that this can only mean "the *quantity of labour necessary* for its production in a given state of society, under certain social average conditions of production, with a given social average intensity, and average skill of the labour employed." Price, he adds, "is nothing but the *monetary expression of value*" (118–25).

But if price represents the value of a commodity, taking into account the deviations brought about by the relation of supply to demand, then it is "nonsense to suppose that profit" comes "from *surcharging* the prices of commodities, or selling them at a price over and above their *value*." He does not mention it here, but Marx surely has in mind the early socialist writers (such as William Thompson and John Francis Bray) who resorted to such an explanation.⁸ To explain profits, he says, you must start from the theorem that, on average, "commodities are *sold at their real value*, and that *profits are derived from selling them at their values*" (127). His solution to what he calls this "paradox," his theory of surplus value, was said by Engels to be his greatest achievement in economic analysis.

If the transaction between the worker and the capitalist involved simply the sale and purchase of labor, as it is commonly believed, how would this commodity "labor" be valued? Would ten hours' labor be worth ten hours' labor? To say the value of labor equals itself is a nonsensical expression, leading nowhere. What the worker sells is not his labor "but his *Labouring Power*, the temporary disposal of which he makes over to the capitalist" (128).

How is the value of this labor power determined? "Like that of every other commodity, its value is determined by the quantity of labour necessary to produce it"—in other words, "by the *value of the necessities* required to produce, develop, maintain, and perpetuate the labouring power," that is to say, the worker. But the value produced by the labor of the worker is another quantity altogether from the value of those commodities necessary to sustain him. It is this difference, this *surplus* value, that puts profits into the hands of the capitalist. "It is *this sort of exchange between capital and labour* upon which capitalistic production, or the wages system, is founded, and which must constantly result in reproducing the working man as a working man, and the capitalist as a capitalist" (129–31).

In the last two sections of his paper Marx examines the struggle of working people either to raise their wages or to prevent their fall. First, he considers an increase in the value of the necessities of life—resulting in an increase in the value of labor power. The worker would require an increase of wages to keep even with the enhanced value of his labor power. "If wages did not rise, or not sufficiently rise, to compensate for the increased values of necessities, the *price* of labour would sink below the *value of labor*, and the labourer's standard of life would deteriorate." On the other hand, should the cost of living fall, the value of labor power would likewise decline, possibly taking wages with it. However, while "the

labourer's absolute standard of life would have remained the same, his *relative* wages, and therewith his *relative social position*, as compared with that of the capitalist, would have been lowered." If the worker should resist this lowering of wages, it would only be "to maintain his former relative position in the social scale" (139).

Then there are changes in the value of money. As the value of money declines and prices increase, there is a fall in the worker's real wages. "All past history proves that whenever such a depreciation of money occurs the capitalists are on the alert to seize this opportunity for defrauding the workman." This explains the widespread strike movement then in progress on the Continent. Marx considers the effects of lengthening the workday and intensifying the labor process. Even paying higher wages the capitalist may lower the value of labor power, "if the rise of wages does not correspond to the greater amount of labour extracted, and the quicker decay of the labouring power thus caused." Thus "by struggling for a rise of wages corresponding to the rising intensity of labour, the working man only resists the depreciation of his labour and the deterioration of his race" (140–43).

Finally, Marx examines the business cycle and the effects of periodic trade crises. During the phase of stagnation the worker is sure to see his wages lowered, if he is not thrown out of work altogether. To maintain his average wages, therefore, he must battle for higher wages during the periods of prosperity when extra profits are made. "It is the utmost height of folly to demand that while his wages are necessarily affected by the adverse phases of the cycle, he should exclude himself from compensation during the prosperous phases of the cycle." Summing up, Marx observes that in all of these instances "a struggle for a rise of wages follows only in the track of previous changes" in production, productivity, the value of labor power, the value of money, and so on. "By treating the struggle for a rise of wages independently of all these circumstances, by looking only upon the change of wages, and overlooking all the other changes from which they emanate, you proceed from a false premise in order to arrive at false conclusions" (143–44).

In the last section of his paper, to which he gave the title "The Struggle Between Capital and Labour and Its Results," Marx addressed the most critical and fundamental questions facing the labor movement, going well beyond the original challenge from Weston. "Having shown," he says, that the "periodical resistance" of workers to wage reductions "and their periodical attempts at getting a rise of wages, are inseparable from the wages system," the question arises, "how far, in this incessant struggle between capital and labour, the latter is likely to prove successful." As with all other commodities, the market price of labor power "will, in the long run, adapt itself to its *value*." In short, "do what he may, the working man will, on an average, only receive the value of . . . his labouring power." But, Marx adds, "there are some peculiar features" that distinguish the value of labor power from the values of all other commodities. Besides the mere physical element, the basic biological needs indispensable for the maintenance and reproduction of the working class, there is a historical or social component, in other words, "a *traditional standard of life*." This element "may be expanded, or contracted, or altogether extinguished," but no one can deny that a comparison of the values of labor power in different countries or in one country at different times reveals that it "is not a fixed but a variable magnitude." He adds that "although we can fix the *minimum* of wages, we cannot fix their *maximum*." Between the absolute limits beyond which the proportions of profit and wages may not move lies the battlefield on which their actual settlement is reached. It is only by "the continuous struggle between capital and labour" that this is determined. "The matter resolves itself into a question of the respective powers of the combatants" (144–46).

An emphasis on the traditional standard of living forming part of the value of labor power, what Marx calls the "historical or social element," is now regarded as a hallmark of his wage theory, but as we saw, political economy had long known of this element in the wage equation. What he did that was new was to highlight this aspect of wages, to free it from the false views encumbering it, and to bring it into association with his theory of the class struggle. By bringing it into prominence and transforming it into an active principle of wage determination, he showed workers that the value of their labor power lay to a certain extent in their own hands.

However, while the actual amount of wages is a result of "the continuous struggle between capital and labour," it is not merely the will of the combatants that decides this, but their relative position in the

market, in other words, their mutual relation of supply and demand. According to orthodox economists, this was strictly determined by the ratio of the number of workers seeking employment (or population) to the amount of capital (or the wage fund). But Marx goes much further than this simplistic formula, basing himself on the analysis of earlier economists (he refers to "Barton, Ricardo, Sismondi, Professor Richard Jones, Professor Ramsay, Cherbuliez, and others") who showed that as total capital investment increased the share allocated for the purchase of labor power progressively declines (even if it grows in absolute terms). The "demand for labor keeps . . . no pace with accumulation of capital" (148). The population and wage-fund paradigm is false, therefore, since capital is constantly creating an overpopulation of workers regardless of any possible effort they might make to limit their number.

From this we see that "the very development of modern industry must progressively turn the scale in favour of the capitalist against the working man, and that consequently the general tendency of capitalistic production is not to raise, but to sink the average standard of wages, or to push the *value of labour* more or less to its *minimum limit*." However, this is but "the tendency of *things* in this system," and it by no means indicates that the working class ought to renounce their resistance to it. If they were to abandon all efforts to maintain the value of their labor power and oppose the despotic encroachments of capital, "they would be degraded to one level mass of broken wretches past salvation." Moreover, and for Marx this is the main thing, by "cowardly giving way in their everyday conflict with capital, they would certainly disqualify themselves for the initiating of any larger movement" (148).

This brings him to his fundamental position on the workers' wage struggle, that "they are fighting with effects, but not with the causes of those effects." Presenting an appeal for revolution to his audience of trade union leaders, he tells them that "they are applying palliatives, not curing the malady." The workers, he concludes, "ought . . . not to be exclusively absorbed in these unavoidable guerilla fights incessantly springing up from the never-ceasing encroachments of capital or changes of the market. They ought to understand that, with all the miseries it imposes upon them, the present system simultaneously engenders the *material conditions* and the *social forms* necessary for an economical reconstruction of society" (148–49). In conclusion, Marx proposes that workers abandon the traditional labor slogan of *A fair day's wage for a fair day's work!* and adopt in its place the revolutionary watchword, *Abolition of the wages system!*

Between the time that the manuscript of 1861–63 was completed and the publication of volume 1 in 1867, Marx produced a third draft of *Capital*, most of which has been lost. The bulk of what has survived of this manuscript, an intended final chapter 6, "Results of the Direct Production Process," along with smaller fragments, is believed to have been written between June 1863 and December 1866. This material was first published in 1933 and in English in 1976. Describing in one of these fragments the importance of trade unions for maintaining the value of labor power, Marx resumes the truncated discussion he began at the end of his manuscript of 1861–63. The following passage is the most explicit description in all of Marx's writings of the economic importance of trade unions:

As has been shown, the *exchange value* of labour capacity is paid when the price of the means of subsistence is paid; these means of subsistence are those customarily necessary at a given state of society for the worker to be able to maintain the level of strength, health, and general vitality needed to exert his labour capacity, as well as to perpetuate himself through his human replacements. If man is distinguished from all other animals by the boundless extension of which his needs are capable, there is, inversely, no other animal able to contract its needs to the same unbelievable degree, or to restrict itself to the same minimum level of living conditions. . . . One cannot however speak of a *physical minimum* of existence of this kind when the *value* of labour capacity is involved. With labour capacity, as with every other commodity, its price can rise *above* its value, or fall *below* it, hence the value can diverge in one direction or the other from the price, which is merely the monetary expression of value itself. The level of the necessities of life, the total value of which constitutes the value of labour capacity, may itself rise or fall. But the analysis of these variations belongs not to this discussion but to the theory of wages. It will emerge in the course of this investigation that for the analysis of capital it is entirely irrelevant whether the level of the worker's needs is presupposed to be high or low. As in theory, so in any case in practice, the *value* of labour capacity is regarded as a *given magnitude*. . . . On the other hand, the *value of labour capacity*

forms the conscious and explicit basis of the Trades' Unions, the importance of which for the English working class can hardly be exaggerated. The aim of the Trades' Unions is nothing other than to prevent wages from *falling* below the level that is traditional in the different branches of industry. Their aim is to prevent the *price* of labour capacity from being forced down below its *value*. They are of course aware that a change in the relation of supply and demand brings about a change in the market price. On the one hand, however, the actual occurrence of such a change is something very different from the unilateral assertion of the buyer, in this case the capitalist, that it has occurred. On the other hand, there is "a wide difference between the demand and supply rate of wages . . . *if the buyer and seller of it were on equal terms*, and that which the seller, the worker, is compelled to accept if the employer deals with each man *singly*, and dictates a reduction, taking advantage of the individual workman's accidental needs"⁹ (CW34, 341–42).

This and other quotations from Dunning's tract on trade unionism are cited approvingly by Marx. His discussion, it is evident, is based on incorporating Dunning's analysis into his own theory of the value of labor power.

In "Results of the Direct Production Process" Marx discussed some of the features of wage labor that distinguish it from slavery.

In the case of the slave the *minimum wage* appears as a constant magnitude, independent of his own labour. In the case of the free worker, the *value of his labour capacity*, and the *average wage* corresponding to it, does not present itself as confined within this predestined limit, independent of his own labour and determined by his purely physical needs.

There is an average level of wages for the working class as a whole, which is more or less constant, but this level "does not exist in this immediate reality for the *individual* worker, whose wage may stand either above or below this minimum."

Furthermore, there is room for manoeuvre (within narrow limits) for the worker's *individuality*, as a result of which there are differences in wages, partly between *different branches of labour*, and partly in *the same* branch of labour, according to the industriousness, skill, strength, etc., of the worker, and indeed these differences are in part determined by the measure of his own personal performance. Thus the level of the wage appears to vary according to the worker's own labour and its individual quality.

This is emphasized wherever piece wages are paid, although they do not alter the general labor–capital relation. Nonetheless, the individual worker's relation to capital is differently expressed "according to the measure of his own personal performance. Great strength or special skills may increase the *purchase value* of the slave as a person, but this is of no concern to the slave himself. It is different with the free worker, who is himself the proprietor of *his labour capacity*."

The higher value of this labour capacity must be paid to the worker himself, and it is expressed in a higher wage. Great differences in wages are therefore found, according to whether the specific kind of labour requires a more highly developed labour capacity, necessitating greater production costs, or not, and this on the one hand opens up an area of free movement for individual differences, while on the other hand it provides a spur to the development of the individual's own labour capacity. Certain as it is that the mass of labour must consist of more or less unskilled labour, and therefore that the mass of wages must be determined by the *value of simple labour capacity*, it remains possible for isolated individuals to make their way upwards into higher spheres of labour by particular energy, talent, etc., just as there remains the abstract possibility that this or that worker could himself become a capitalist and an exploiter of alien labour.

Unlike the slave, who "belongs to a particular master," the worker, though he has no choice but to sell himself to capital, is not absolutely compelled to sell his labor power to one capitalist in particular. Thus,

"he has a choice, within a particular sphere, as to who he sells himself to," and can change employers.

All these differences in the relation make the activity of the free worker more intensive, more continuous, more agile, and more dexterous than that of the slave, quite apart from the fact that they fit the worker himself to undertake historical actions of an entirely different nature.

There is another side to this contrast between the slave and the wage worker besides their relation to the means of production and its owners—their relation to the means of subsistence. As consumers, the differences can also be very important. While the slave receives the means of subsistence necessary for his maintenance directly as material goods, which are defined in quality as well as quantity, "the free worker receives them in the form of *money*," and thus can turn the money into whatever use values he wants. The worker therefore "stands in exactly the same relation to the sellers of commodities as any other buyer." Of course, the conditions of his existence and also the limited sum of money at his disposal compel him to spend it on a restricted range of goods. However, "some degree of variation is possible," and he can for instance buy newspapers, "which form part of the necessary means of subsistence of the English urban worker," he can save, and he can even "waste his wages on spirits."

But in acting this way he acts as a free agent, he must pay his own way; he is himself responsible for the way in which he spends his wages. *He learns to master himself, in contrast to the slave, who needs a master.*¹⁰ To be sure, this only applies when one considers the transformation of a serf or slave into a free wage labourer. The capitalist relation appears here as a step up the social scale. It is the opposite when an independent peasant or craftsman is transformed into a wage labourer.

He adds, "What a difference there is between the proud yeomanry of England, of whom Shakespeare speaks, and the English agricultural day labourers!"

On the other hand, since the only purpose the worker has in selling his labor power is to acquire the money with which to live, the nature of his employment is of secondary importance. He is not wedded to one particular type of employment any more than he is to one employer. "In the guild or caste system," however, labor was regarded as "the exercise of a vocation, whereas with the slave, as with the beast of burden, it is only a particular kind of activity, of exertion of his labour capacity, imposed on him and handed down from the past." Although in reality the wage worker may have become so limited in his development that he is not capable of changing occupations, he is at least "*in principle* receptive to, and ready for, any variation in his labour capacity and his working activity which promises better wages (as is indeed demonstrated in the case of the surplus population of the countryside, which constantly transfers to the towns)." And even if the developed worker is unable to freely adapt, "he still regards it as always open to the next generation," and each fresh generation is always available for redistribution among the different branches of industry, particularly those that offer the best remuneration.

In North America, where the development of wage labour has least of all been affected by reminiscences of the old guild system, etc., this *variability*, this complete indifference to the specific content of labour, this ability to transfer from one branch to another, is shown particularly strongly. (CW34, 436–38)

The Commonwealth newspaper of London (which called itself the "organ of the reform movement") published a series of articles from November 3, 1866, to March 23, 1867, signed by Johann Georg Eccarius, entitled "A Working Man's Refutation of Some Points of Political Economy Endorsed and Advocated by John Stuart Mill, Esq., M.P." Johann Georg Eccarius had for many years been a protégé and political associate of Marx and was at this time a member of the London General Council of the International. The articles, which discussed the nature of capital, cost of production, credit, profit, and small farming, concluded with a three-part analysis of "Wages and Population." Eccarius, a tailor by profession, received encouragement, advice, and, it appears, direct assistance from Marx in writing these articles.

In 1869, these articles were expanded, translated into German, and published in the form of a small

book in Berlin, under the title *Eines Arbeiters Widerlegung der national-ökonomischen Lehren John Stuart Mill's*. In a letter to Hermann Schlüter, Engels commented that it "was written with much prompting by and help from Marx (towards the end, entire pages were literally written by Marx)" (CW47, 371). This book was later translated back into English by the New York *Labor Standard* and published as a series of articles from December 30, 1876, to May 26, 1877, under the title "A Workingman's Refutation of the National Economical Doctrines of John Stuart Mill." There is reason to believe that the original articles were also composed with Marx's aid. In a letter to Engels regarding the possible publication of an English translation of *Capital*, he wrote:

I am trying to track down a fellow in London who will *pay decently*, so that both [Samuel Moore] as translator and I as author get our due. . . . I have some expectations, as Messrs Harrison & Co. are most desirous to study the book *in English*. Eccarius has, of course, told them that he is a humble pupil of mine —(*his* critique of Mill has impressed them hugely, they having previously been believers in Mill). (June 27, 1867; CW42, 394)

Marx's ironic reference to "*his* critique of Mill" seems to imply that it was not really his, although it is also true that Eccarius typically passed off Marx's theoretical achievements as his own. That the intellectual content of these articles, if not the actual words, are Marx's there can be no doubt; however, in the passages cited below at least the writing very much appears to have been his as well.

The following extracts from the concluding articles "Wages and Population" are reproduced here for the first time.

[Malthus and Mill] trace all the existing misery to over population, and consider the existing order of things in the main as permanently tenable with, and conformable to human happiness; they know no other cure for the ills that afflict society than improving those out of existence who cannot be used, or used up, in the acquisition of wealth for the possessors of all things. . . .

Mr. Mill deplotes our unhappy fate that we do not act like the Italians, high or low, amongst whom, according to his statement, all but one son of a family remain unmarried. He bitterly adds such family arrangements are not likely to exist among day labourers. Sismondi is again called to the rescue, who says:—"Any wise man must desire that the rising generation represents exactly those that preceded them; that one son and one daughter arrive at the age of puberty replacing his father and mother. . . ."

This is precisely the way in which the continental peasant manages his oxen and cows. As often as one is got ready for the butcher a young one is reared to fill up the place. . . . A pretty ideal this of human progress and happiness, to be recommended by one of the greatest sages of the age, to such a community as the industrial working population of the nineteenth century. . . . Everybody is, as it were, chained to the clod on which he was born, the same number that was required, and could subsist a thousand years ago, will be required for ever after. But how are we to apply such regulations to a state of things in which the improvement of the productive powers advances with such rapid strides, as during the last fifty years, and in which the proportionate number of hands required diminishes as rapidly as the means of subsistence, the productiveness of labour increases. Who is to determine, as to who is to have permission to propagate his species and who not. . . . What is to be done with the thousands of adults whose labouring power is superseded by machinery, or who are replaced by children? Who is to determine what number of tailors, shoemakers, &c., will be required twenty years hence? But above all who is to separate the sexes, who is to all intents and purposes to divorce husband and wife after they have two children, and who is to prevent young folks loving each other, because some one has more than two children, and an increase of population would endanger the continuance of the existing state of things? Out upon such humbug; modern society has better and more elevating means to right itself than a cruel immolation on the altar of Moloch. (*The Commonwealth*, March 9, 1867)

[Mill] says, "During the twenty or thirty years last elapsed, so rapid has been the extension of improved processes of agriculture, that even land yields a greater produce in proportion to the labour employed." Now, I ask Mr. Mill, are the laws of nature, the inherent tendency to multiply, in the remotest degree

connected with the misery of these labourers? [Mill had said that the condition of the agricultural labourers is "painful to contemplate"—*K.L.*] The rent of land has as steadily increased as the produce of labour, and the number of labourers required for profit-mongering purposes to raise that produce has as steadily diminished as the general means of subsistence have been augmented. It is the institution which makes the produce of one man's labour the private property of another that is at the bottom of the labourer's misery. It is not his natural fecundity in relation to the latent capabilities of the soil to afford the means of subsistence, nor any defect in the productive power of his labour, nor a deficiency in the actually existing means of subsistence, that makes him wretched, but it is because he lives in a state of society in which much can be produced with comparatively little labour, and in which the welfare of the labourer depends on the cost of production, which assigns less to the labourer in proportion as his labour becomes more productive, that he is wretched. . . .

[I]f by any contrivance ten men could be enabled to produce next year as much wealth for the capitalist as a hundred produce this year, the ten kept at work would receive only a starvation pittance while any of the ninety remained to compete with them. In this case the population would be to the means of subsistence afforded by the rule of capital like 9 to 1. This is the overpopulation in the actual state of society, it is the special case for which the Malthusian proposes to provide a remedy by a restraint upon population, but it is also the special case which all the Malthusians evade to discuss, their arguments being based upon the assumption that the number of labourers required remains the same, that an increase of their numbers only has to be prevented. It is far easier to upbraid and insult parents for having children than to show how nine men out of ten whose labour is considered indispensable to-day, and may become useless to-morrow, can be improved out of existence. However, to answer Mr. Mill's pointed question ["Is it true or not that if their numbers were fewer they would obtain higher wages?"] distinctly, I will declare that it is beyond question that if there was work in any given trade for a thousand men, and only nine hundred to do it, they would get more for doing what they could than 1,200 would get for doing it all. But this is all I can admit of his theory. The Malthusian creed rests upon the assumption that society can attain no higher form than that which represents mankind as divided into capitalists and hired wages labourers. . . .

Under the regime of private capital, productive powers have been developed capable of furnishing ample means of subsistence to a more numerous population than that provided for by the existing mode of distribution. Mr. Mill advocates a better distribution and considers a stricter restraint on population, an indispensable means to it. Vain hope! If you restrict the population, you cripple the development of the powers of production. (*The Commonwealth*, March 16, 1867)

Is there no possibility of finding employment but on the plan of the stone-yard and the oakum-room? Is it not possible that at no very distant date the working class will have sufficient power in Parliament to do for itself what the landowners are doing now under the Land Improvement Act, obtain credit to extend self-supporting co-operative labour? Is it not remarkably strange that Mr. Mill should, among his popular remedies, not so much as allude to the most popular of all, and the one that is the peculiar child of modern industry, the one that was first demanded by the factory operatives of Lancashire more than fifty years ago—I speak of the reduction of the number of the hours of labour. This is the measure of progress which will to some extent equalise the supply of, and the demand for, labour; on its progress and success depends the social, the mental, and moral elevation of the working class. (*The Commonwealth*, March 23, 1867)

NOTES

1. It is also well known as *Wages, Price, and Profit*, after the title it received in German translation.
2. Marx had occasion once before to oppose Weston. Describing for Engels the founding of the IWA and his own part in drafting its program, he wrote: "What is more, an old Owenite, Weston—now a manufacturer himself, a very amiable and worthy man—had drawn up a programme full of extreme confusion and of indescribable breadth" (CW42, 16–17).
3. *The Bee-Hive* was the newspaper of the International in London.
4. A footnote supplied here by the editors of the *Collected Works* erroneously states that the individual in question was T. J. Dunning, author of *Trades' Unions and Strikes: Their Philosophy and Intention* (1860). As indicated earlier (chap. 5), not only was Dunning a leading trade unionist, but his

pamphlet was an important defense of trade unions and strikes, as Marx was well aware. It is probable that this unnamed individual was John Watts, author of *Trade Societies and Strikes* (1865).

5. The "two main points" that Marx enumerates are those of Weston's argument, not (as Rubel has suggested) those of his own *réplique*.

6. Marx's nickname was "Moor," because of his dark complexion. In Britain the International was known as the International Working Men's Association; in North America it was the International Workingmen's Association.

7. Eleanor Marx never saw the pamphlet in print; on March 31, 1898, she took her own life following a betrayal by Aveling.

8. "The principle of unequal exchanges is the very life and soul of the present social system" (Bray [1839] 1968, 57).

9. This extract from Dunning's pamphlet appears here as it was translated back into English from Marx's text. This passage is cited above (p. 90) as it originally appeared.

10. Richard Jones, in his "Text-Book of Lectures on the Political Economy of Nations," had written "But the laborer dependent on money wages is emancipated from these manacles, and the obligation is imposed upon him of acting for himself; he must weigh the chances of a fluctuating or regular demand for his labor; he must ascertain and calculate his own ability to avoid future want. He has no guide in society likely to lighten the task of self-government to his class. His subordination to law, his respect for public and private property, must spring from his own convictions. He is emancipated from the leading-strings, very useful in more infant stages of society; he must walk independently in a path of his own, and confront many perils and difficulties by his own clearness of view and prudence. He is in a loftier position: he has with it higher responsibilities which he cannot shake off" (Jones [1859] 1964b, 517).

Chapter 10

Capital

The title is *Capital. A Critique of Political Economy* . . . It is without question the most terrible missile that has yet been hurled at the heads of the bourgeoisie.

—Marx

In 1867, the first volume of *Capital* was finally published in Hamburg. It was the only volume published in Marx's lifetime; volumes 2 and 3 (as well as the first English translation of volume 1) were brought out after his death by Engels. Subtitled *Book I: The Process of Production of Capital*, it recapitulates in systematic fashion the analysis of wages previously arrived at in the draft manuscripts, deepening and extending it in some areas while abbreviating it in others. Although it provides the most comprehensive and definitive treatment of the wage question of any of his writings, fully integrating it at the same time into his theory of capital, it is not a complete presentation of his wage theory—the absence of any examination of the economic role of trade unions remains an important omission.

Marx begins his analysis of wages with a discussion of the commodity labor power. In his chapter on "The buying and selling of labour power," he asks: "How is [its] value determined?" As with every other commodity, "by the labour time necessary for the production, and consequently also the reproduction, of this special article." This amounts to the value of a certain quantity of the means of subsistence necessary for the maintenance of the labourer "in his normal state as a labouring individual." This varies according to the physical conditions of each country, such as climate. But even the so-called necessary wants, their number and extent, as well as the manner of satisfying them, are also a product of historical development. They depend "to a great extent on the degree of civilisation of a country, more particularly on the conditions under which, and consequently on the habits and degree of comfort in which, the class of free labourers has been formed."¹ Unlike all other commodities, therefore, the value of labor power contains "a historical and moral element" (CW35, 180–81). The workers' "historically developed social needs," he wrote in Book III, "become second nature" (Marx 1962, 837).

Since there must be an uninterrupted supply of labor power, included in its value is the cost of maintaining a family and producing the next generation of workers. Also, when special skills are required, since it is in the nature of labor power to possess a "more or less complicated character," the training or education required enters into the cost of producing it (CW35, 182).

All labour of a higher or more complicated character than average labour is expenditure of labour power of a more costly kind, labour power whose expenditure has cost more time and labour, and which therefore has a higher value, than unskilled or simple labour power. (CW35, 208)

As Marx also said, "individual labour powers require different degrees of training, and must therefore have different value. Manufacture, therefore, develops a hierarchy of labour powers, to which there corresponds a scale of wages" (CW35, 354).

Since skilled labor power commands a higher wage as well as bestowing more value on the objects of labor, it has been suggested that this contradicts Marx's value theory. In the words of Mandel, "controversy has raged" over his analysis of the value imparted by labor powers of different quality. "Starting with Böhm-Bawerk, some critics have claimed to discover here one of the basic inconsistencies in Marx's economic theory" (Marx 1976, 72). His discussion on this point, however, fully accords with his analysis of value. He observes that skilled labor "counts only as simple labour intensified, or rather, as multiplied simple labour, a given quantity of skilled being considered equal to a greater quantity of simple labour." The conversion of differing types of labor to one undifferentiated standard is a constant "social process that goes on behind the backs of the producers, and, consequently, appear[s] to be fixed by custom" (CW35, 54).

The (exchange) value of labor power, on the other hand, as opposed to its value-imparting use value, is determined by the cost of its production. In order to acquire "skill and handiness in a given branch of industry" it must receive special preparation. In other words, "special education or training is requisite, and this, on its part, costs an equivalent in commodities of a greater or less amount." This varies according to the complexity of the skill being acquired, but in any case the "expenses of this education (excessively small in the case of ordinary labour power), enter *pro tanto* into the total value spent in its production" (CW35, 182). Labor power of greater than average skill therefore has a greater than average cost of production and possesses a higher value. Thus, it not only commands a higher wage, but this skilled labor, having entered the labor process, in other words, considered now as use value, "creates in equal times proportionally higher values than unskilled labour does" (CW35, 208).

Critics, misreading this analysis, have assumed that the higher value produced is a consequence of the higher wages paid. This of course would completely violate his theory, and he argued against just this line of reasoning by Smith, who did attribute the value produced by labor to the value of the wages paid. Others have claimed that it is a violation of the law of value for an hour's labor of one worker to create a different amount of value than an hour's labor by another. As Rubin points out, however, "The labor theory of value does not affirm the *physiological equality* but the *social equalization* of labor." In short, "products are not exchanged in terms of equal, but of equalized quantities of labor" (Rubin 1973, 169). Hilferding, the first to reply to Böhm-Bawerk, explained that the actual labor time expended by skilled labor also imparts the additional labor time of previous instructors, the years of apprenticeship, and so on. For this past labor, society "pays an equivalent for the value which the unskilled labors would have created had they been directly consumed by society" (Sweezy [1949] 1984, 145). In other words, this past labor "enters into the value of the product and makes it correspondingly more expensive" (Rubin 1973, 165).

On the other hand, Marx also questioned the distinction between so-called skilled and unskilled labor. While it was in part real, it also rested in varying degrees on social convention rather than the actual quality of the labor power.

The distinction between skilled and unskilled labour rests in part on pure illusion, or, to say the least, on distinctions that have long since ceased to be real, and that survive only by virtue of a traditional convention; in part on the helpless condition of some groups of the working class, a condition that prevents them from exacting equally with the rest the value of their labour power. (CW35, 208n)

Engels, in one of his articles for the *London Labour Standard* (1881), suggested that often the only difference was that of trade union organization.

Since the value of labor power resolves itself into the values of those commodities requisite for its production, any or all of which can vary, it is not a fixed magnitude (though at any one time it is correctly regarded as so). If an absolute minimum value of labor power were to be defined, it would be "the value of those means of subsistence that are physically indispensable" for the daily renewal of the worker's vital energy. However, if the price of labor power ever fell to this level, it would really be "below its value, since under such circumstances it can be maintained and developed only in a crippled state. But the value of every commodity is determined by the labour time requisite to turn it out so as to be of normal quality" (CW35, 183).

Marx points out that the level of wages may be depressed by the capitalist below the value of labor power. "Despite the important part which this method [of increasing surplus value] plays in actual practice, we are excluded from considering it in this place, by our assumption, that all commodities, including labour power, are bought and sold at their full value" (CW35, 319). On this supposition, then, if surplus value is to be increased, the *value* of labor power must be reduced. This is accomplished by increasing productivity in "those branches of industry, whose products determine" it (CW35, 320). If less labor is needed for the production of those commodities forming the subsistence of the worker, then less value enters into the formation of labor power.

But increasing productivity through technological advances also has a more direct effect on the value of labor power. In his discussion of "The proximate effects of machinery on the workman," Marx writes:

The value of labour power was determined, not only by the labour time necessary to maintain the individual adult labourer, but also by that necessary to maintain his family. Machinery, by throwing every member of that family on to the labour market, spreads the value of the man's labour power over his whole family. It thus depreciates his labour power. To purchase the labour power of a family of four workers may, perhaps, cost more than it formerly did to purchase the labour power of the head of the family, but, in return, four days' labour takes the place of one, and their price falls in proportion to the excess of the surplus labour of four over the surplus labour of one. In order that the family may live, four people must now, not only labour, but expend surplus labour for the capitalist. (CW35, 398–99)

Marx of course opposed the views of those who wanted to see women confined to the home. "However terrible and disgusting the dissolution, under the capitalist system, of the old family ties may appear, nevertheless, modern industry, by assigning as it does an important part in the process of production, outside the domestic sphere, to women, to young persons, and to children of both sexes, creates a new economic foundation for a higher form of the family and of the relations between the sexes" (CW35, 492). He was, however, an early advocate for the legal protection of children, regarding their treatment in industry as one of capitalism's "greatest abominations" (CW30, 46).

Still, it was not "machinery" that threw every family member into the labor market; economic compulsion did this. But Marx's figure of speech is clear enough, though the story of how the working class was universally conscripted into the ranks of industry needs telling. In his 1861–63 manuscript, for instance, he describes how the introduction of machinery

breaks the resistance of the worker, who can no longer dig his heels in because his dexterity, still predominant under the system of manufacture, has now been broken; instead of this capital is able to replace skilled workers by unskilled ones, who therefore are more under its control. Then the new class of workers, who enter the situation as a determining element, alter the character of the whole workshop, and by their nature are more obedient to the despotism of capital. The element, namely, of female and child labour. (CW30, 331)

(The "domestic labor debate" turned in part on how the notion of a "family wage" is to be understood in terms of Marx's theory. Was the labor of women in the home—cooking, child-rearing, and so on, a component of the value of labor power? According to his analysis it would seem so.)

Having established the basic determination of the value of labor power or its price, Marx enumerates the factors that cause its level to change. In his chapter on the "Changes of magnitude in the price of labour power and in surplus value," he cites three principal variables— the length of the workday, the intensity of labor, and the productivity of labor—examining them in isolation and in their chief combinations. As we have seen, changes in the productivity of labor, its increase or decrease, cause changes in the opposite direction of the value of labor power, if those changes are applied toward the production of commodities that enter into the consumption of the worker (thus this includes changes in the value of those commodities, such as machinery, which produce the commodities that enter the workers' consumption).

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. . . .

The object of all development of the productiveness of labour, within the limits of capitalist production, is to shorten that part of the working day, during which the workman must labour for his own benefit, and by that very shortening, to lengthen the other part of the day, during which he is at liberty to work gratis for the capitalist. (CW35, 324–26)

Several processes are at work here. No individual capitalist is customarily in a direct position to reduce the value of his or her own workers' labor power by lowering the cost of their means of subsistence through improved productivity. What does happen is that each capitalist, driven either to obtain an advantage over competitors or to catch up with others who already have one, seeks to reduce the cost of production through greater productivity in order to sell either below value and thus at a lower price or at a

greater profit or both.

The result of all these individual actions is a general lowering of the value of commodities; when this occurs with respect to articles that enter into the workers' means of subsistence, the value of their labor power is depreciated. However, Marx shows that a reduction in the value of labor power is not necessarily equivalent to a decline in the worker's material standard of life. As we saw in the 1861–63 manuscript, there may occur simultaneously a fall in the value of labor power and a rise in the level of real wages. It is the value of a given quantity of necessities, not their mass, that determines the value of labor power. With an increase of productivity, it is possible that "both the labourer and the capitalist may simultaneously be able to appropriate a greater quantity of these necessities, without any change in the price of labour power or in surplus value." Moreover, it is possible for an ongoing fall in the price of labor power "to be accompanied by a constant growth in the mass of the labourer's means of subsistence." This would appear to be a dominant tendency of capitalist production (despite periodic reversals and numerous exceptions).² Of course, the fall in the price of labor power would represent an increase in surplus value, and so the relative position of the worker in society would nonetheless have fallen: "the abyss between the labourer's position and that of the capitalist would keep widening" (CW35, 523).

Examining the results of an intensification of the labor process, Marx finds that when greater than normal demands are placed on the worker to achieve a greater output, the value of his or her labor power has risen. A greater sum of necessities will be required to maintain this heightened level of work. If, however, this enhanced value of labor power does not receive higher wages, or even if higher wages are paid but not by a commensurate amount, the price of labor power will fall below its value. "This occurs whenever the rise in the price of labour power does not compensate for its increased wear and tear" (CW35, 525).

In the various editions and translations of *Capital*, this phenomenon is presented in two entirely different ways. In the English translation edited by Engels, we read that "the rise in price may be accompanied by a fall in value" (CW35, 525). At first glance, this appears to be an error, since there is no reason given for any fall in the value of labor power: Marx had just written that its value was raised. And, indeed, if we consult Fowkes's translation we find: "this rise in price may be accompanied by a fall below its value" (Marx 1976, 661). Checking further, the third (1883) German edition, which was published shortly after Marx's death, reads: "Sie kann umgekehrt von einem Fall unter ihren Wert begleitet sein [It may, on the other hand, be accompanied by a fall below its value]." In the fourth (1890) German edition, however, Engels changed this sentence to read that there was a "Fall ihres Werts," that is, a fall in the value itself (*Werke* 23, 547). In his Preface Engels indicated only that he made certain "small alterations of a purely technical nature" (CW35, 37). He does not say why the value itself should fall, rather than simply the price falling below it, though this brought it into correspondence with the English translation prepared by Samuel Moore and Edward Aveling under his editorial supervision. Neither Engels nor any of the translators ever provided an explanation for this discrepancy.

However, a passage in the *Economic Manuscript of 1861–63* sheds more light on this question. In reference to a lengthening of the workday, Marx shows that even increased wages represent a smaller portion of the entire labor time, and that the ratio between necessary and surplus labor shifts in favor of the latter. Thus, the worker's relative wages have fallen, though his or her real wages may have risen. Moreover, he also said that if the imposition of additional labor time is prolonged beyond a temporary situation and becomes established as the new norm, *the value of labor power will fall*.

If this lengthening of labour time is not temporary, and the lengthened and lengthening working day becomes firmly established as normal . . . this fall in relative wages also rests on an absolute devaluation of labour capacity, a fall in its value. For, as we have seen, the daily, weekly average presupposes a normal number of years, which comprises a working life—the active existence of the worker, and therefore of his labour capacity. As a result of the lengthening of labour time this working life is shortened. (CW34, 68)

So, in a sense, both versions are correct: the value of labor power will increase, causing its price to fall below it, or the value itself will fall. But two different scenarios are involved here. Unfortunately, no

reason is given in Engels's edition for this apparent anomaly, and it may be unclear to readers why the value of labor power should fall.

Marx's presentation in *Capital* of the lengthening of the workday conforms to this treatment in the manuscript of 1861–63. He writes, "the price of labour may fall below its value, although that price be nominally unchanged or even rise." (Here Engels allowed this formulation to stand, because, as the passage continues, the depreciation if not the destruction of labor power is also clearly posed.)

Up to a certain point, the increased wear and tear of labour power, inseparable from a lengthened working day, may be compensated by higher wages. But beyond this point the wear and tear increases in geometrical progression, and every condition suitable for the normal reproduction and functioning of labour power is suppressed. The price of labour power and the degree of its exploitation cease to be commensurable quantities. (CW35, 527)

In his analysis thus far, Marx has dealt with the dynamics of the value and price of labor power, only distinguishing as the case required among real, relative, and nominal wages. In part 6, however, he discusses "Wages" as a general phenomenon, that is, as an external form reflecting (and concealing) the labor–capital relation. In four brief chapters he analyzes the two main forms that wages take (piece wages and time wages), national differences in wages, and the phenomenal aspects of wages in general.

In his treatment of the transformation of the value of labor power into wages, Marx distinguishes between the popular expression, *value of labor*, and the concept, *value of labor power*. Since the value of a commodity is determined by the labor time necessary for its production, he shows—drawing on his analysis of the dual nature of labor—that it makes no sense to inquire into the amount of labor necessary for the production of "labor." Labor is the substance and measure of value, but labor itself has no value. The "value of labor" is therefore "as imaginary as the value of the earth. These imaginary expressions arise, however, from the relations of production themselves. They are categories for the phenomenal forms of essential relations" (CW35, 537). What is exchanged for wages is the capacity of the worker to labor for a certain period, in other words, labor power. "Classical political economy borrowed from everyday life the category 'price of labour' without further criticism, and simply asked the question, how is this price determined?" The inquiry in this form went nowhere, and economists asked themselves, rather, what the cost is of producing the laborer. "This question unconsciously substituted itself in political economy for the original one; for the search after the cost of production of labour as such turned in a circle and never left the spot. What economists therefore call value of labour, is in fact the value of labour power, as it exists in the personality of the labourer. . . . Classical economy," Marx concluded, "never arrived at a consciousness of the results of its own analysis" (CW35, 537–38).

This becomes clearer when we consider Marx's distinction between the phenomenal aspect of wages and their essential, underlying content. If the appearance is that wages are the payment given in exchange for labor, labor that is measured by the number of hours and days over which it is performed, the reality of the situation is something else entirely. Wages are the price of labor power, and the value of that labor power is not calculated according to the number of hours the capitalist sets it to work but according to the cost of producing it. But since the labor–capital relation is not a voluntary exchange between equals but one of compulsion, the worker must perform surplus, unpaid labor in addition to the necessary labor that reproduces the value of his or her labor power.³ Thus, the production of surplus value, the driving force and essential moment of capitalist production, is lost sight of and concealed by the ordinary appearance of wages.

The wage form thus extinguishes every trace of the division of the working day into necessary labour and surplus labour, into paid and unpaid labour. All labour appears as paid labour. . . .

Hence, we may understand the decisive importance of the transformation of value and price of labour power into the form of wages, or into the value and price of labour itself. This phenomenal form, which makes the actual relation invisible, and, indeed, shows the direct opposite of that relation, forms the basis of all the juridical notions of both labourer and capitalist, of all the mystifications of the capitalistic mode of production, of all its illusions as to liberty, of all the apologetic shifts of the vulgar economists.

If history took a long time to get at the bottom of the mystery of wages, nothing, on the other hand, is more easy to understand than the necessity, the *raison d'être*, of this phenomenon. (CW35, 539–40)

What the classical economists called the natural and market prices of labor, Marx therefore reformulated as the value and price of labor power. Since the analysis in *Capital* is mainly carried out at the level of abstraction in which values, rather than their prices, are studied, it is the value of labor power, not its actual price, the wage, that primarily concerns him. In his chapter on time wages, he remarks on the relationship between these two entities:

the laws set forth, in the 17th chapter, on the changes in the relative magnitudes of price of labour power and surplus value, pass by a simple transformation of form, into laws of wages. Similarly the distinction between the exchange value of labour power, and the sum of the necessities of life into which this value is converted, now reappears as the distinction between nominal and real wages. *It would be useless to repeat here, with regard to the phenomenal form, what has been already worked out in the substantial form.* (CW35, 542–43; emphasis added)

Those writers who allege that Marx was reserving his treatment of wages for a separate work apparently have not noticed this last remark. (Nor does it appear that they have noticed the extensive discussion of wages throughout volume 1, not to mention the presence of "Part VI: Wages.") Yet Marx, observing that wages "take many forms," proceeds to analyze in particular time wages and piece wages. But because he mentions, as any writer might, that an exposition of *all* the forms that wages take "belongs to the special study of wage labour, not therefore to this work" (CW35, 542), and also because he once intended to divide his work into six parts, one of which was to be called "wage labor," it has been suggested that this remark is proof that he planned to produce a special study of wage labor which, following *Capital*, would supposedly complete the exposition of his wage theory. Rubel, for example, citing this comment, falsely claims "that Marx was explicit in this regard, formally declaring that *Capital* was to treat neither 'wage labor' nor 'landed property'" (Rubel 1981, 193). (His spurious claim of a "missing book on wage labor" is examined in the following chapter, where the evolution of Marx's plan for writing *Capital* is traced.)

Showing the liabilities to which the worker is exposed by having no fixed term of employment, with wages calculated simply by the hour, Marx writes:

If the hour's wage is fixed so that the capitalist does not bind himself to pay a day's or a week's wage, but only to pay wages for the hours during which he chooses to employ the labourer, he can . . . annihilate all regularity of employment, and according to his own convenience, caprice, and the interest of the moment, make the most enormous overwork alternate with relative or absolute cessation of work. He can, under the pretence of paying "the normal price of labour," abnormally lengthen the working day without any corresponding compensation to the labourer. Hence the perfectly rational revolt in 1860 of the London labourers, employed in the building trades, against the attempt of the capitalists to impose on them this sort of wage by the hour. (CW35, 545)

If the hourly rate remains constant with a lengthening of the workday, the weekly wages will rise. But, as we saw earlier, the price of labor power will be depressed below its normal value, since the worker is not compensated for the increased demands placed on his or her vital capacity.

The value of labour power, as dependent on its wear and tear, increases with the duration of its functioning, and in more rapid proportion than the increase of that duration. In many branches of industry where time wage is the general rule without legal limits to the working time, the habit has, therefore, spontaneously grown up of regarding the working day as normal only up to a certain point, e.g., up to the expiration of the tenth hour. . . . Beyond this limit the working time is overtime, and is, taking the hour as unit-measure, paid better . . . although often in a proportion ridiculously small. (CW35, 546)

Piece wages, Marx observes, "are nothing else than a converted form of wages by time," and "the difference of form . . . alters in no way their essential nature." While "raising individual wages above the

average," they have a tendency "to lower this average itself" (CW35, 550–51, 554).

Part 7, "The accumulation of capital," goes to the heart of Marx's subject matter, the life-process of capital. Capitalist production, he indicates, is predicated on the existence of a class of free laborers, free of personal dependence on a master, and "free" of any means of production by which they could carry on an independent existence. There is thus secured to capital an endless supply of labor power, the indispensable element in capitalist production. Marx shows how this supply of labor power is perpetuated by the process of production itself:

Capitalist production, therefore, of itself reproduces the separation between labour power and the means of labour. It thereby reproduces and perpetuates the condition for exploiting the labourer. It incessantly forces him to sell his labour power in order to live, and enables the capitalist to purchase labour power in order that he may enrich himself. It is no longer a mere accident, that capitalist and labourer confront each other in the market as buyer and seller. It is the process itself that incessantly hurls back the labourer on to the market as a vendor of his labour power, and that incessantly converts his own product into a means by which another man can purchase him. In reality, the labourer belongs to capital before he has sold himself to capital. His economic bondage is both brought about and concealed by the periodic sale of himself, by his change of masters, and by the oscillations in the market price of labour power.

Capitalist production, therefore, under its aspect of a continuous connected process, of a process of reproduction, produces not only commodities, not only surplus value, but it also produces and reproduces the capitalist relation; on the one side the capitalist, on the other the wage labourer. (CW35, 576–77)

Marx's analysis, as we saw, is based on the supposition that wages correspond to the value of labor power. He felt obliged to comment on their reduction below this point, however, because in practice this plays "too important a part, for us not to pause upon it for a moment." It "transforms, within certain limits, the labourer's necessary consumption fund into a fund for the accumulation of capital." The dream of capital is to dispense with the necessity of paying wages at all.

But if the labourers could live on air they could not be bought at any price. The zero of their cost is therefore a limit in a mathematical sense, always beyond reach, although we can always approximate more and more nearly to it. The constant tendency of capital is to force the cost of labour back towards this zero. (CW35, 595–96)

Moreover, there "comes a time in every industrial cycle, when a forcible reduction of wages beneath the value of labour power, is attempted for the purpose of cheapening commodities" (CW35, 457).

Marx returns to this question in Book II. While it is true, he writes, "that the normal wages actually paid . . . are not paid by the capitalists out of the goodness of their hearts, but must be paid under given relations," what cannot be accomplished by force may sometimes succeed with fraud. "Every industrial country (for instance Britain and the U.S.A.) furnishes the most tangible proofs of the way in which this advantage [that many employers of labor also sell their commodities to their own workers] may be exploited—by paying nominally the normal wages but grabbing, alias stealing, back part of them without an equivalent in commodities." This can be done either through the truck system or "through a falsification of the medium of circulation." He finds it amusing that "the great majority of my bourgeois critics upbraid me as though I have wronged the capitalists by assuming, for instance in Book I of *Capital*, that the capitalist pays labour-power at its real value," when, in fact, this is "a thing which he mostly does not do!" (Marx 1957, 508–9). In Book III he describes the depression of wages below the value of labor power as "one of the most important factors checking the tendency of the rate of profit to fall" (Marx 1962, 230).

We have traced Marx's critique of the wage-fund doctrine from his earliest writings, noting that it has been neglected by students of the history of economics. Especially surprising is the fact that even in *Capital* his critique has also gone unnoticed. Since the Malthusian dogma provides a false model of capital accumulation and its relation to the level of wages, he examines this question in (chap. 24, sec. 5)

"The so-called labour fund."⁴ He observes that "capital is not a fixed magnitude, but is a part of social wealth, elastic and constantly fluctuating," although political economy "always loved to conceive social capital as a fixed magnitude of a fixed degree of efficiency." This "prejudice was first established as a dogma" by Jeremy Bentham, who along with Malthus, James Mill, McCulloch, and others, used it "for an apologetic purpose, and especially in order to represent one part of capital, namely, variable capital, or that part convertible into labour power, as a fixed magnitude." He adds:

The material of variable capital, i.e., the mass of the means of subsistence it represents for the labourer, or the so-called labour fund, was fabled as a separate part of social wealth, fixed by natural laws and unchangeable. . . . The facts that lie at the bottom of this dogma are these: on the one hand, the labourer has no right to interfere in the division of social wealth into means of enjoyment for the non-labourer and means of production. On the other hand, only in favourable and exceptionable cases, has he the power to enlarge the so-called labour fund at the expense of the "revenue" of the wealthy. (CW35, 604–6)

By attempting "to represent the capitalistic limits of the labour fund as its natural and social limits," the following "silly tautology" results:

[W]e first add together the individual wages actually paid, and then we affirm that the sum thus obtained, forms the total value of the "labour fund" determined and vouchsafed to us by God and Nature. Lastly, we divide the sum thus obtained by the number of labourers to find out again how much may come to each on the average. An uncommonly knowing dodge this. (CW35, 606–7)

In chapter 25, "The general law of capitalist accumulation," Marx examines "the influence of the growth of capital on the lot of the labouring class," particularly the effects of a changing value composition of capital (CW35, 607). In this discussion he also further exposes the falsity of the wage-fund doctrine. He considers the hypothetical case of a simple increase of capital, in which its constant and variable components retain the same proportion, in other words, the constant and variable portions increase to the same degree. As capital accumulates it requires ever more labor power, and it may at some point require more than there is at hand. In such a situation wages will rise, because demand for labor power exceeds supply. The workers "can extend the circle of their enjoyments; can make some additions to their consumption fund of clothes, furniture, &c., and can lay by small reserve funds of money." He adds:

But just as little better clothing, food, and treatment, and a larger peculium, do away with the exploitation of the slave, so little do they set aside that of the wage worker. A rise in the price of labour, as a consequence of accumulation of capital, only means, in fact, that the length and weight of the golden chain the wage worker has already forged for himself, allow of a relaxation of the tension of it. (CW35, 613)

Thus, it is the fundamental relation of servitude, not a putative "increasing misery doctrine," as alleged by critics, that Marx finds to be the main evil of the system of wage labor.

An increase of wages under these circumstances means a diminution in the amount of surplus value extracted by the capitalist. "This diminution can never reach the point at which it would threaten the system itself. Apart from violent conflicts as to the rate of wages (and Adam Smith has already shown that in such a conflict, taken on the whole, the master is always master), a rise in the price of labour resulting from accumulation of capital implies" one of two things. Either wages will continue to rise, since they pose no obstacle to the continued growth of capital; or, "accumulation slackens in consequence of the rise in the price of labour, because the stimulus of gain is blunted." In the latter event, this dropping off in accumulation lessens the demand for labor, the price of labor power ceases to rise, and the primary cause of the fall in accumulation is removed. "The price of labour falls again to a level corresponding with the needs of the self-expansion of capital, whether the level be below, the same as, or above the one which was normal before the rise of wages took place." The Malthusian argument that wage levels depend on changes in population is thus shown to be false. The "absolute movements of the accumulation of capital . . . are reflected as relative movements of the mass of exploitable labour power. . . . To put it

mathematically: the rate of accumulation is the independent, not the dependent, variable; the rate of wages, the dependent, not the independent, variable" (CW35, 614–15).

The law of capitalist production, that is at the bottom of the pretended "natural law of population," reduces itself simply to this: The correlation between accumulation of capital and rate of wages is nothing else than the correlation between the unpaid labour transformed into capital, and the additional paid labour necessary for the setting in motion of this additional capital. It is therefore in no way a relation between two magnitudes, independent one of the other: on the one hand, the magnitude of the capital; on the other, the number of the labouring population; it is rather, at bottom, only the relation between the unpaid and the paid labour of the same labouring population. If the quantity of unpaid labour supplied by the working class, and accumulated by the capitalist class, increases so rapidly that its conversion into capital requires an extraordinary addition of paid labour, then wages rise, and, all other circumstances remaining equal, the unpaid labour diminishes in proportion. But as soon as this diminution touches the point at which the surplus labour that nourishes capital is no longer supplied in normal quantity, a reaction sets in: a smaller part of revenue is capitalised, accumulation lags, and the movement of rise in wages receives a check. The rise of wages therefore is confined within limits that not only leave intact the foundations of the capitalist system, but also secure its reproduction on a progressive scale. The law of capitalistic accumulation, metamorphosed by economists into pretended law of Nature, in reality merely states that the very nature of accumulation excludes every diminution in the degree of exploitation of labour, and every rise in the price of labour, which could seriously imperil the continual reproduction, on an ever-enlarging scale, of the capitalistic relation. (CW35, 615–16)

Marx turns his attention to a different scenario—an accumulation of capital in which the variable part declines relative to the constant portion, what he calls a higher organic composition. This in fact is what typically occurs, since each capital seeks to maximize its extraction of surplus value through increased productivity, which is simply one way of saying that a given amount of labor sets in motion an ever greater quantity of means of production. It is inherent therefore in the capitalist mode of production that with the accumulation of capital, "the variable constituent becomes always smaller and smaller as compared with the constant" (CW35, 620). What implications this has for the working class, as proportionally fewer and fewer workers are required as the total magnitude of capital grows, emerges as the focal point of Marx's inquiry.

This process appears as an absolute growth of the working population that is outstripping the growth of variable capital. In fact, it is capital accumulation that constantly produces "a relatively redundant population of labourers, i.e., a population of greater extent than suffices for the average needs of the self-expansion of capital, and therefore a surplus population" (CW35, 624). This, Marx says, "is a law of population peculiar to the capitalist mode of production." Thus this "surplus labouring population is a necessary product of accumulation . . . on a capitalist basis. . . . It forms a disposable industrial reserve army, that belongs to capital quite as absolutely as if the latter had bred it at its own cost" (CW35, 626). The consequences of this for the working class are profound.

If the means of production, as they increase in extent and effective power, become to a less extent means of employment of labourers, this state of things is again modified by the fact that in proportion as the productiveness of labour increases, capital increases its supply of labour more quickly than its demand for labourers. The overwork of the employed part of the working class swells the ranks of the reserve, whilst conversely the greater pressure that the latter by its competition exerts on the former, forces these to submit to overwork and to subjugation under the dictates of capital.⁵ The condemnation of one part of the working class to enforced idleness by the overwork of the other part, and the converse, becomes a means of enriching the individual capitalists, and accelerates at the same time the production of the industrial reserve army on a scale corresponding with the advance of social accumulation. (CW35, 630)

How these developments translate into movements in the level of wages completes Marx's theory.

Taking them as a whole, the general movements of wages are exclusively regulated by the expansion and contraction of the industrial reserve army, and these again correspond to the periodic changes of the industrial cycle. They are, therefore not determined by the variations of the absolute number of the working population, but by the varying proportions in which the working class is divided into active and reserve army, by the increase or diminution in the relative amount of the surplus population, by the extent to which it is now absorbed, now set free. For modern industry with its decennial cycles and periodic phases, which, moreover, as accumulation advances, are complicated by irregular oscillations following each other more and more quickly, that would indeed be a beautiful law, which pretends to make the action of capital dependent on the absolute variation of the population, instead of regulating the demand and supply of labour by the alternate expansion and contraction of capital, the labour market now appearing relatively underfull, because capital is expanding, now again overfull, because it is contracting. Yet this is the dogma of the economists. According to them, wages rise in consequence of the accumulation of capital. The higher wages stimulate the working population to more rapid multiplication, and this goes on until the labour market becomes too full, and therefore capital, relatively to the supply of labour, becomes insufficient. Wages fall, and now we have the reverse of the medal. The working population is little by little decimated as the result of the fall in wages, so that capital is again in excess relatively to them, or, as others explain it, falling wages and the corresponding increase in the exploitation of the labourer again accelerates accumulation, whilst, at the same time, the lower wages hold the increase of the working class in check. Then comes again the time, when the supply of labour is less than the demand, wages rise, and so on. A beautiful mode of motion this for developed capitalist production! Before, in consequence of the rise of wages, any positive increase of the population really fit for work could occur, the time would have been passed again and again, during which the industrial campaign must have been carried through, the battle fought and won. (CW35, 631–32)

Marx adds that the "above economic fiction confuses the laws that regulate the general movement of wages" with the laws distributing the working population among the different branches of industry (CW35, 632). In other words, if a particular sphere of production experiences growing demand resulting in greater profits, capital will flow into this sphere and attract additional workers, causing wages to rise. Likewise, in the opposite case, sluggish demand will depress profits, capital will flow out seeking more profitable areas, there will be a surplus of labor, and wages will decline. But these local oscillations provide a false model for the economist who wishes to explain movements in the level of population and of wages in general. On that question, Marx concludes:

The industrial reserve army, during the periods of stagnation and average prosperity, weighs down the active labour army; during the periods of overproduction and paroxysm, it holds its pretensions in check. Relative surplus population is therefore the pivot upon which the law of demand and supply of labour works. (CW35, 633)

In his only direct remark on the subject, Marx observes that trade unions "try to organise a regular cooperation between employed and unemployed⁶ in order to destroy or to weaken the ruinous effects of this natural law of capitalistic production on their class." When they attempt this, however, "capital and its sycophant, political economy, cry out at the infringement of the 'eternal' and so to say 'sacred' law of supply and demand. Every combination of employed and unemployed disturbs the 'harmonious' action of this law" (CW35, 634).⁷

On the effects of supply and demand on wages, and on the overall relation of labor to capital, he concluded:

It is not enough that the conditions of labour are concentrated in a mass, in the shape of capital, at the one pole of society, while at the other are grouped masses of men, who have nothing to sell but their labour power. Neither is it enough that they are compelled to sell it voluntarily. The advance of capitalist production develops a working class, which by education, tradition, habit, looks upon the conditions of that mode of production as self-evident laws of Nature. The organisation of the capitalist process of

production, once fully developed, breaks down all resistance. The constant generation of a relative surplus population keeps the law of supply and demand of labour, and therefore keeps wages, in a rut that corresponds with the wants of capital.⁸ The dull compulsion of economic relations completes the subjection of the labourer to the capitalist. Direct force, outside economic conditions, is of course still used, but only exceptionally. In the ordinary run of things, the labourer can be left to the "natural laws of production," i.e., to his dependence on capital, a dependence springing from, and guaranteed in perpetuity by, the conditions of production themselves. (CW35, 726)

Marx completed a first draft of Books II and III of *Capital* between 1863 and 1867. Though he continued to work on this manuscript, ill-health, political responsibilities, his scientific scrupulousness, and the immensity of the task combined to prevent him from finishing it. Shortly before his death in 1883, he told his daughter Eleanor that Engels should "make something" out of this material. Thus, *Capital*, volume 2 was first published in 1885; it appeared in English translation in 1909. According to Engels, the "bulk of the material was not finally polished, in point of language, although in substance it was for the greater part fully worked out." In fact, as he says, it "was no easy task to put the second book of *Capital* in shape for publication" (Marx 1957, 4, 1). Volume 3 proved even more difficult, and he did not succeed in getting it ready for publication until 1894 (it appeared in English also in 1909).

Subtitled *The Process of Circulation of Capital*, volume 2 contains little on the determination of wages. In his discussion of theories of fixed and circulating capital, Marx again criticizes the wage-fund dogma, the notion "that the magnitude of wages depends on the ratio of the number of labourers to the given amount of circulating capital—a favourite economic proposition—while as a matter of fact the quantity of means of subsistence withdrawn from the market by the labourer, and the quantity of means of subsistence available for the consumption of the capitalist, depend on the ratio of the surplus-value to the price of labour" (Marx 1957, 226). In volume 3 he further examined this question:

It would seem, then, that there is on the side of demand a certain magnitude of definite social wants which require for their satisfaction a definite quantity of a commodity on the market. But quantitatively, the definite social wants are very elastic and changing. Their fixedness is only apparent. If the means of subsistence were cheaper, or money-wages higher, the labourers would buy more of them, and a greater "social need" would arise for them, leaving aside the paupers, etc., whose "demand" is even below the narrowest limits of their physical wants. (Marx 1962, 185)

While most of the material on wages in volume 2 pertains only to prices, Marx commented briefly, for subsequent elaboration, on their relation to trade unions:

If it were in the power of the capitalist producers to raise the prices of their commodities at will, they could and would do so without a rise in wages. Wages would never rise if commodity prices fell. The capitalist class would never resist the trades' unions, if it could always and under all circumstances do what it is now doing by way of exception, under definite, special, so to say local, circumstances, to wit, avail itself of every rise in wages in order to raise prices of commodities much higher yet and thus pocket greater profits. (Marx 1957, 340)

In addition, he wrote: "Wages rise (although the rise is rare, and proportional only in exceptional cases) with the rising prices of the necessities of life. Wage advances are the consequence, not the cause, of advances in the prices of commodities" (Marx 1957, 341).

Volume 3 completes Marx's analysis of capital, though unfortunately it breaks off, unfinished, just as he begins a discussion of class. Regarding an analysis of wages, he repeats that differences in wage scales "rest largely on the difference between simple and complex labour mentioned in the beginning of Book I, and have nothing to do with the intensity of exploitation in the different spheres of production, although they render the lot of the labourer in those spheres very unequal." He gives the example of a goldsmith who is better paid than a laborer, but who also produces more surplus value. "And although the equalizing of wages and working-days, and thereby of the rates of surplus-value, among different spheres of

production . . . is checked by all kinds of local obstacles, it is nevertheless taking place more and more with the advance of capitalist production and the subordination of all economic conditions to this mode of production" (Marx 1962, 140–41).

In a comment on clerical labor, Marx shows how the development of public education has devalued the labor power of this category of workers:

The commercial worker, in the strict sense of the term, belongs to the better-paid class of wage-workers—to those whose labour is classed as skilled and stands above average labour.⁹ Yet the wage tends to fall, even in relation to average labour, with the advance of the capitalist mode of production. This is due partly to the division of labour in the office, implying a one-sided development of the labour capacity, the cost of which does not fall entirely on the capitalist, since the labourer's skill develops by itself through the exercise of his function, and all the more rapidly as division of labour makes it more one-sided. Secondly, because the necessary training, knowledge of commercial practices, languages, etc., is more and more rapidly, easily, universally and cheaply reproduced with the progress of science and public education the more the capitalist mode of production directs teaching methods, etc., towards practical purposes. The universality of public education enables capitalists to recruit such labourers from classes that formerly had no access to such trades and were accustomed to a lower standard of living. With few exceptions, the labour-power of these people is therefore devaluated with the progress of capitalist production. (Marx 1962, 294–95)

In a letter to Engels of April 22, 1868, Marx tells of a "morsel" that occurred to him when he was "just glancing at the part of my manuscript [Book III] about the rate of profit." He says that it "provides a simple solution to one of the most difficult questions . . . how it can happen that as the value of money, or gold, falls, *the rate of profit* rises; and that it falls with the rise in the value of money." The solution to this problem turns on the rate of wages, and since he never incorporated this analysis into Book III, it is reproduced here.

Given a fall in the value of money, the price of labour, unless it rises in the same proportion, *falls*, the rate of surplus value rises, and therefore, all other things remaining the same, the rate of profit rises too. The rise of the latter—as long as the descendant oscillation in the value of money continues—is due solely to the fall in wages, and this fall is due to the fact that the change in wages is slow to match the change in the value of money. (CW43, 16–17)

This was hinted at in his earlier suggestion that currency manipulation may be used to depress wages below the value of labor power, retarding the decline in the rate of profit.

What conclusions can we draw when *Capital* itself appears to draw to an inconclusive end?¹⁰ What emerges most clearly is that Marx did successfully create a dynamic, complex, and comprehensive theory of wages and wage labor that explains and predicts the various wage phenomena as well as the fundamental tendencies of the labor–capital relation. Second, we have seen how his theory was only achieved through a lengthy process of development; it can only be completely understood therefore by retracing the steps of that process, by examining it as it unfolded.¹¹ Marx wrote on the wage question over a period of more than thirty years, returning to it time and again, from his 1844 manuscripts to his *Critique of the Gotha Program*. And had he lived on in reasonable health, there is no doubt that he would have continued to write on problems concerning wages, and on the trade unions in particular, as did Engels. The birth of the "new unionism" in Britain and the international mass labor upsurge of the 1880s, especially the May Day demonstrations demanding the legal eight-hour day, would have inspired him and provided rich, concrete material for analysis. As Engels said during those events, "If only Marx had lived to witness this!" (cited in Lapides 1987, 148).

Paradoxically, while Marx presented an integral wage theory in *Capital* (even if certain facets received fuller elaboration in other texts), he did not regard it as a "theory of wages" at all. When he used

the expression "theory of wages" he had in mind a meaning that does not correspond to the one used by all other economists (and even by Engels and Kautsky) and which has been employed here. When we examine his analysis of how the value of labor power is determined, what causes that value to change or to diverge from its price, and so on, it is understood that his wage theory is being discussed. But this is not what he considered wage theory. He reserved this term for the purely phenomenal aspects of wages—the real "frictions," as he called them, of the market, such as the cheating and coercion that are inevitable elements in a capitalist economy but are not intrinsic to its inner dynamics. In the *Grundrisse*, for example, he spoke of "the fraudulent tricks of individual capitalists" perpetrated against the worker. A study of these real-life occurrences, as opposed to the analysis of the essential capital-relation, "belongs," he said, "to the theory of wages" (CW28, 354). And in his *Economic Manuscript of 1861–63*, he wrote:

In so far as machinery brings about a direct reduction of wages for the workers employed by it, by e.g. using the demand of those rendered unemployed to force down the wages of those in employment, it is not part of our task to deal with this case. It belongs to the theory of wages. In our investigation we proceed from the assumption that the *labour capacity* is paid *at its value*, hence wages are only reduced by the depreciation of that labour capacity, or, what is the same thing, by the cheapening of the means of subsistence entering into the workers' consumption. (CW34, 23)

Marx was primarily concerned with analyzing the situation of the worker in so far as it directly results from the capital relation, in order to arrive at an understanding of the fundamental capitalist process of production. The examination of those aspects of wage labor that are apparently autonomous from its general relation to capital and from the essential production process, especially the tendency toward a divergence between the value of labor power and its price due to changing relations of supply and demand, in other words, the struggle between buyers and sellers (what he called "competition"), he designated as the "theory of wages." As he further explained:

The problem of these movements in the level of the workers' needs, as also that of the rise and fall of the market price of labour capacity above or below this level, do not belong here, where the general capital-relation is to be developed, but in the doctrine of the wages of labour. It will be seen in the further course of this investigation that whether one assumes the level of workers' needs to be higher or lower is completely irrelevant to the end result. The only thing of importance is that it should be viewed as given, determinate. All questions relating to it as not a given but a variable magnitude belong to the investigation of wage labour in particular and do not touch its general relationship to capital. (CW30, 44–45)

Wage labor exists in two realms for Marx: first, as it is part of the essential nature of capital—both wage labor and capital being two sides of the same coin; and, second, in its phenomenal aspects, as it exists on the surface of society, the analysis of which does not touch the inner process of capitalist production. The analysis of the former he called "the theory of wage labor," as opposed to "the theory of wages." This dichotomy is reflected in a certain tension in his work between his analysis of these two realms, with their opposing claims.

NOTES

1. Although he also cites Torrens on this question, this particular point was derived from William Thornton's *Over-Population and Its Remedy* (1846). Marx had previously said in *Value, Price, and Profit* that Thornton "shows that the average wages in different agricultural districts of England still nowadays differ more or less according to the more or less favourable circumstances under which the districts have emerged from the state of serfdom" (CW20, 145).

2. "But hand-in-hand with the increasing productivity of labour, goes, as we have seen, the cheapening of the labourer, therefore a higher rate of surplus value, even when the real wages are rising" (CW35, 600).

3. "The capital-relation is a *relation of compulsion*, the aim of which is to extract surplus labour by prolonging labour time—it is a relation of compulsion which does not rest on any personal relations of

domination and dependence, but simply arises out of the difference in economic functions" (CW34, 426).

4. While this is a correct literal translation of Marx's German ("Der sogenannte Arbeitsfonds"), it is perhaps slightly misleading for those accustomed to the phrase "wage fund." Though Richard Jones and others used the expression "labor fund," had the translators (of both English-language editions) used the more standard term "wage fund" perhaps Marx's critique would have been harder to overlook. When he translated the term "wage fund" into German (as when he quoted another text) he used the expression *Arbeitsfonds*, so it would have been consistent with his usage had it been rendered back into English in its more usual form.

5. "If one man does the work of 1½ or 2 men, the supply of labour increases, although the supply of labour power on the market remains constant. The competition thus created between the labourers allows the capitalist to beat down the price of labour, whilst the falling price of labour allows him, on the other hand, to screw up still further the working time" (CW35, 548).

6. This took the form of providing support to unemployed members, so that they would not be compelled to undersell working members.

7. Marx regarded the role of trade unions as so important that he described the formation of one among the agricultural workers in Britain as "a historic event" (CW35, 260n).

8. "The great beauty of capitalist production consists in this—that it not only constantly reproduces the wage worker as wage worker, but produces always, in proportion to the accumulation of capital, a relative surplus population of wage workers. Thus the law of supply and demand of labour is kept in the right rut, the oscillation of wages is penned within limits satisfactory to capitalist exploitation, and lastly, the social dependence of the labourer on the capitalist, that indispensable requisite, is secured" (CW35, 755–56).

9. For an analysis of the wages paid to managerial employees, see Marx 1962, 378–82.

10. Why Marx provided no analysis of the role of trade unions in maintaining the value of labor power (when this was already worked out in a previous draft) is examined in chapter 11, in the context of the debate over his plan for writing *Capital* and the claim of a "missing book on wage labor." The principal debate over his wage theory, the "increasing misery" controversy, is also examined separately, in chapter 12.

11. Marx's economic doctrine "can only be correctly understood in its development, in its evolution. Otherwise, it will certainly be understood only in a dogmatic sense, i.e., in a way which is distorted, false and superficial" (Vygotski 1974, 13).

Chapter 11

Is There a "Missing Book" on Wage Labor?

The history of mankind is like paleontology. Owing to a certain "judicial blindness," even the best minds fail to see, on principle, what lies in front of their noses. Later, when the time has come, we are surprised that there are traces everywhere of what we failed to see.

—Marx

As we saw, in all of *Capital* little is said about the role of trade unions or of workers' strike struggles in affecting wage determination. Only in the fragmentary material of an earlier draft did Marx present a clear-cut case for the role of trade unions in maintaining the value of labor power. This puzzling omission raises a number of questions, some of which relate to the so-called plan problem of *Capital*, a continuing controversy over the nature, the scope, and even the integrity of Marx's theoretical legacy.

On the one hand, critics have claimed that there is a "missing book" on wage labor, one that he intended to write but never did, leaving a gaping hole at the core of his theory. Others, including the present writer, have rejected this, contending that the theory presented in *Capital* and related texts is, if not literarily, at least analytically complete. For students of his economic doctrine a central issue in this debate therefore is whether the allegation is correct that Marx failed to provide "an adequate basis for considering the struggle of workers to realise their own goals" (Lebowitz 1992, 57). To complete this study of his wage theory we must examine the evidence marshalled on behalf of these opposing arguments and try to settle the question of its relation to the "unfinished" status of *Capital*.

A glance at the history of political economy reveals that economists traditionally have divided their treatises into several "Books." Apart from neatly defining the analytical structure of the work, dividing the contents according to broad theoretical or empirical categories more readily accommodates massive and complex material into one systematic treatment. Thus, for example, Sir James Steuart's *Inquiry into the Principles of Political Oeconomy*, Adam Smith's *Inquiry into the Nature and Causes of the Wealth of Nations*, and John Stuart Mill's *Principles of Political Economy* are each divided into several books. These books of course are not physical but logical entities that do not necessarily relate to the work's publication in various volumes. (David Ricardo's *Principles of Political Economy and Taxation* is notable for its lack of any formal structure, apart from an almost random sequence of chapters.)

Marx, too, followed this practice. Writing to Kugelmann in October 1866 as he was preparing volume 1 of *Capital* for the printer, he described the "whole work" as divided into four books:

Book I. The Process of Production of Capital.

Book II. The Process of Circulation of Capital.

Book III. Structure of the Process as a Whole.

Book IV. On the History of the Theory. (CW42, 328)

Although he died before he could bring all of his work to publication, this is the structure of *Capital* as he left it in manuscript and as we now know it (except that he anticipated that these four books would be published in three volumes). While still developing his analysis of the capitalist system, however, he had in mind another outline, according to which the project was to be divided under six headings or into six books. He described this earlier, tentative plan in his preface to *A Contribution to the Critique of Political Economy* (1859) and in letters to friends at the time. He grouped the six headings into two triads: capital, landed property, wage labor; the state, foreign trade, the world market. After 1859, however, he no longer mentioned dividing his analysis in this way, referring instead to the outline cited above. But presumably because "capital" is the heading of the first book in this early outline, critics have claimed that *Capital: A Critique of Political Economy* (in its three volumes plus *Theories of Surplus-Value*) is only

the first part of a projected six-part series of works, and that Marx intended to follow it up with separate volumes on wage labor, landed property, and so on. These other books, they say, are missing. Thus it is alleged that Marx's wage theory is fundamentally incomplete, if not actually unwritten, and that is why there is no discussion of strikes and trade unions in *Capital*.

Karl Kautsky in 1897 was the first to point out that the outline for *Capital* diverged from the six-part plan of 1858–59. It would never have occurred to him, however, to suggest that Marx's analysis of the capitalist economy was incomplete. "Marx gave us," he wrote, "the first strictly scientific theory of wages" (Kautsky 1936, 187). The first critic to make the claim of incompleteness was R. Wilbrandt, who in his book *Karl Marx* (1913) alleged that *Capital*, volume 1, was "a torso" in a double sense: first, because it was "only the first of several volumes," and second, because "it is only the first volume of a work that is itself one part of a whole: *the first of 6 parts*" (cited in Lapides 1992, 145). He concluded that Marx failed to present his full theory of wages in *Capital*. Henryk Grossmann, in his article "Die Änderung des ursprünglichen Aufbauplans des Marxschen *Kapital* und ihre Ursachen" ("The Change in the Original Plan of Composition of Marx's *Capital* and Its Causes"), published in the journal of the Frankfurt Institute for Social Research in 1929, refuted this, and his analysis has defined the terms of the ensuing debate. Grossmann's paper was the first attempt to examine Marx's *Capital* with respect to the "significance of its internal structure, the history of its origins, and the logic of its composition" (cited in Lapides 1992, 144). He writes:

We know what material Marx intended to deal with from the preface to the *Contribution to the Critique* (1859), where the *original plan* of the work was specified: "I examine the system of bourgeois economy in the following order: capital, landed property, wage labor; the state, foreign trade, world market." The continuation of the original work, as it is before us in the three books of *Capital*, resulted meanwhile from *another plan*. Already in 1897, on the occasion of a new edition of the *Contribution to the Critique*, Kautsky wrote: "So the conception of *Capital* became something other than that of those works, of which the first notebook Marx published in 1859. This is proven surely by a glance at the first lines of the preface to the *Critique* and a comparison of the plan there set forth with the one that in *Capital* is in fact followed." And although this is seen even at "first glance," the fact of the change in plan of Marx's *Capital* eludes Professor R. Wilbrandt—notwithstanding the many bows that he makes to this "extraordinary work," reflecting the duty of his office so to speak as author of a book on Marx. While he enters upon the history of the work's development and describes the original plan of 1859 as the plan of a work in *six* parts, he then informs the world that the single volume of *Capital* that Marx personally edited is a torso in a double sense. Not only because it is, first of all, "only the first of several volumes," but secondly, "it is only the first volume of a work that is itself one part of a whole: *the first of 6 parts*, all of which the author thought of as dealing with many problems, yet which he in the first part of the complete work, in *Capital*, intentionally omits in order to . . . reserve for special consideration in the later parts." According to this fantastic presentation the four presently published books of *Capital* are merely the implementation of the first part of the 1859 plan, which should still be followed by five parts! Thus Marx's work already on hand would be only a small fraction of an originally planned complete work; that perhaps as extensive an account as exists on capital, also on landed property, wage-labor, foreign trade, etc., thus possibly twenty additional volumes altogether, should still be published. . . .

Opposed to this presentation we must pose the question: is it true that Marx "consciously put off" the presentation of these problems in *Capital*, that he deals with the questions of ground rent, wages, foreign trade as was first intended? Wilbrandt apparently has not noticed the analysis of all these questions in *Capital*, and at every opportunity banishes the discussion of Marx's wage theory to a supposedly existing lacuna, and thinks a "more detailed treatment in the section on wage-labor is certainly to have been expected"; as if Marx had not completely enough dealt with and clarified his theory of wages in *Capital*!

From his new draft outline, which he communicated to Kugelmann and which we cite below, it is clear, namely, that *Capital*, as it is presently before us in four volumes, is essentially completed. In the volumes on hand, even if the exposition of individual sections is occasionally fragmentary, if perhaps here and there a chapter is missing and the logical sequence often interrupted, on the whole the complete

treatment of the material not only exists but, as Engels asserted, everything "which Marx intended to say, is said there somehow or other."¹ This is especially evident too from the important letter of Marx to Engels of April 30, 1868, in which Marx communicated to his friend the detailed contents of Books II and III. The treatment of the subject matter and its arrangement are enumerated essentially in the way we find it again later in both books of *Capital* that Engels took care of.

Grossmann argues that "compelling internal reasons surely must have been responsible for the change in plan." His analysis of the theoretical and methodological basis for Marx's change in plan has been debated ever since, though most scholars share his conclusion (if not his reasoning) that "economic Marxism, as it has been bequeathed to us, is neither a 'fragment' nor a 'torso,' but in its essentials represents a complete system, that is, without gaps" (cited in Lapidès 1992, 145–47, 151).

Among the critics of Grossmann's thesis the most vehement has been Maximilien Rubel. He argues along the lines originally laid out by Wilbrandt, that *Capital* represents only the first of six books as announced by Marx in 1859 and thus is radically incomplete, a mere "fragment." In his opinion, "Marx failed to publish the 'Economics' in accordance with the plan given in the 1859 preface (six rubrics) not due to 'methodological' reasons, such as Grossman speaks of . . . but rather because, instead of writing 'booklets,' he found himself obliged to compose 'large volumes' (Rubel 1981, 154). He makes much of Marx's letters referring to the six-part plan, but since these date from the 1858–59 period when all sides agree that there was such a plan they fail to prove his point. Unable to supply any reference to the six-part plan after 1859 and lacking any other documentation, Rubel resorts to speculation. "It is, consequently, difficult to imagine that he would decide . . . to change the plan, without informing his readers and providing an explanation of the methodological grounds that necessitated such a change" (Rubel 1981, 192). Aside from the absurdity of believing that a project extending over many years, even decades, will not involve a change of plan, Rubel ignores the fact that when Marx first disclosed his plan he did advise readers that it was tentative and subject to change. Rubel also says, rather illogically, that any alteration of Marx's original plan would have "annulled" his lifetime of work. "The choice of plan was therefore tantamount to an intellectual responsibility. Were this plan to be changed after the 'guideline' [the "guiding thread" Marx spoke of in his 1859 preface—*K.L.*] of future research had been explicitly defined, the results of fifteen years of study in a series of scientific fields would necessarily be annulled" (Rubel 1981, 201). His claim that Marx "formally" declared "that *Capital* was to treat neither 'wage labor' nor 'landed property'" (Rubel 1981, 193) is a complete fabrication. Moreover, his capricious editing of Marx's texts, his venomous attitude toward Engels, and his bizarre conclusion that Marx's thought is "essentially anarchist" (Rubel 1981, 199n) have discredited him in many quarters. He writes: "Engels's silence concerning the 1859 plan has favored the development of certain 'Marxist' myths, but in no way proves that Marx ever abandoned his project in six books. . . . Engels's ignorance seems instead to be proof of the contrary" (Rubel 1981, 164).

Rubel's writings have provoked much criticism. "Even the most sympathetic reader must conclude," admits Michael A. Lebowitz, "that Rubel has failed to prove his case," although he himself shares Rubel's view. He too has embraced the thesis of a "missing book" on wage labor, making this the premise and centerpiece of his writings on Marx. "Central to the argument in this book," he writes, "is the conclusion that Rubel is correct. There *were* missing books. In particular, the intended book on wage-labour remained unwritten" (Lebowitz 1992, 14). He claims that there is a "theoretical silence" haunting Marx's *Capital* on the role of wage labor, though with no more success than Rubel in uncovering any evidence for this or providing a credible argument. David McLellan has also adopted the Wilbrandt-Rubel thesis, writing "*Capital* is only the elaboration of the first of the six sections," thus concluding that "Marx's work is dramatically incomplete. . . ." He too claims that there are missing "volumes," although he attempts no analysis, acknowledging that "here, as elsewhere, [he is] much indebted" to Rubel (McLellan 1971, 9).

To evaluate these claims, the best course is first to review the actual evolution of Marx's plan for the writing of *Capital*. This can only be fairly and accurately done if we put aside speculation and examine the

entirety of his correspondence on the question and whatever other indications he gave of his intentions, particularly the proposed outlines for his project as they appear in various texts. Although selected letters have been cited in the past to demonstrate Marx's plans, a deeper understanding is gained from following the evolution of his project from his earliest efforts to his last. This first-person narrative also provides a unique insight into his personal struggle to complete *Capital*. Such a basic, even preliminary investigation has not previously been carried out.

As we have seen, Marx maintained a lifelong interest in the problem of wages. Not only did he discuss it from his earliest writings to his last, but on several occasions he prepared lectures for working-class audiences on the subject. Clearly, the question of wages was an important, active concern. His first attempt to produce a critique of political economy yielded the manuscripts of 1844, as well as the now-familiar pattern of postponement and delays, anxious pleas for completion from Engels, and problems with publishers. As early as October 1844, Engels was telling him: "See to it that the material you've collected is soon launched into the world. It's high time, heaven knows!" (CW38, 6). In January 1845, he was still after him:

Do try and finish your political economy book, even if there's much in it that you yourself are still dissatisfied with, it doesn't really matter; minds are ripe and we must strike while the iron is hot. . . . But now is high time. So try and finish *before* April, do as I do, set yourself a date by which you will *definitely have finished*, and make sure it gets into print quickly. . . . But it must come out soon. (CW38, 17–18)

Marx obtained a contract with C. W. Leske Publishers in Darmstadt to publish a work entitled *Kritik der Politik und National-ökonomie*. The edition was set for two thousand copies, but the contract was cancelled in September 1846, when Marx refused to adapt the work in order to pass the censorship.

He continued working on his critique of political economy, and in the spring of 1851 he reported to Engels: "I am so far advanced that I will have finished with the whole economic crap in 5 weeks' time" (CW38, 325). Engels, who knew what he was dealing with, replied: "I'm glad that you've at long last finished with political economy. The thing has really been dragging on far too long, and so long as you have in front of you an unread book which you believe to be important, you won't be able to settle down to writing" (CW38, 330). Marx reassured him that he was working every day at the British Museum library, from 9 or 10 in the morning until 7 in the evening. In a letter to Weydemeyer in June he wrote:

The material I am working on is so damnably involved that, no matter how I exert myself, I shall not finish for another 6–8 weeks. There are, moreover, constant interruptions of a practical kind, inevitable in the wretched circumstances in which we are vegetating here. But for all that, the thing is rapidly approaching completion. There comes a time when one has forcibly to break off. (CW38, 377)

Six months later, however, he was still at it, and wrote Weydemeyer again, asking about the possibilities for publishing his book in the United States. Engels meanwhile kept up the pressure, writing him in March 1853: "You ought to finish your Economy" (CW39, 293). In September, Marx, who was now writing for the *New York Daily Tribune*, explained to Cluss: "I had always hoped that . . . I might somehow contrive to withdraw into solitude for a few months and work at my Economy. It seems that this isn't to be. I find perpetual hackwork for the newspapers tiresome" (CW39, 367).

In December 1857, aroused by a trade crisis, Marx told Engels: "I am working like mad all night and every night collating my economic studies so that I at least get the outlines clear before the *déluge*" (CW40, 217). Later, he told him that he was working through the night, until four in the morning, elaborating "the outlines of political economy" (CW40, 224). He also told Lassalle at this time: "The present commercial crisis has impelled me to set to work seriously on my outlines of political economy" (CW40, 226). The work that he was speaking of is the manuscript now known as the *Grundrisse*. He had begun work on it that summer, having first written an Introduction. There he gave a rough outline (though not in outline form) of his projected plan of work. "The arrangement has evidently to be made as follows," he declared. Sketching out five divisions, he described the second part in this way:

The categories which constitute the internal structure of bourgeois society and on which the principal classes are based. Capital, wage labour, landed property. The 3 large social classes. Exchange between them. Circulation. Credit system (private). (CW28, 45)

In the text of the *Grundrisse* Marx experimented with a variant of this. He outlined a six-part analysis of capital, then writes: "After capital, landed property would have to be dealt with. After that wage labour" (CW28, 194–95). And, as indicated above, in several places he refers to either a chapter or a section on wages that would follow, though also at various points there is some discussion of wage labor.

In February 1858, he explained to Lassalle in greater detail what he was doing:

Now let me tell you how my political economy is getting on. I have in fact been at work on the final stages for some months. But the thing is proceeding very slowly because no sooner does one set about finally disposing of subjects to which one has devoted years of study than they start revealing new aspects and demand to be thought out further. . . . All things considered it would be most convenient for me to bring out the whole work in installments without any rigid datelines. . . .

The work I am presently concerned with is a *Critique of Economic Categories* or, if you like, a critical exposé of the system of the bourgeois economy. It is at once an exposé and, by the same token, a critique of the system. I have very little idea how many sheets the whole thing will amount to. . . .

The whole is divided into 6 books: 1. On capital (contains a few introductory chapters). 2. On Landed Property. 3. On Wage Labour. 4. On the State. 5. International Trade. 6. World Market. I cannot, of course, avoid all critical considerations of other economists. . . . But generally speaking the critique and history of political economy and socialism would form the subject of another work, and, finally, the short *historical outline* of the development of economic categories and relations yet a third. Now that I am at last ready to set to work after 15 years of study, I have an uncomfortable feeling that turbulent movements from without will probably interfere after all. (CW40, 270–71)

Here was the first mention of dividing his work into six books. He gave Lassalle further details the next month, since he was helping arrange publication:

Whatever the circumstances, the first instalment would have to constitute a relative whole and, since it lays the foundations for all that follows, it could hardly be done in under 5 or 6 sheets. . . . It contains 1. Value, 2. Money, 3. Capital in General (the process of production of capital; process of its circulation; the unity of the two, or capital and profit; interest). This constitutes a pamphlet in its own right. . . .

Nor is it my intention to elaborate to an equal degree all the 6 books into which I am dividing the whole, but rather to give no more than the broad outline in the last 3, whereas in the first 3, which contain the actual nub of the economic argument, some degree of amplification will be unavoidable. (CW40, 287)

Marx repeated this description of his outline to Engels in April:

The following is a short outline of the first part. The whole thing is to be divided into 6 books: 1. On Capital. 2. Landed Property. 3. Wage Labour. 4. State. 5. International Trade. 6. World Market. . . . In the same way, the transition of landed property to wage labour is not only dialectical but historical, since the last product of modern landed property is the general introduction of wage labour, which then appears as the basis of the whole business. . . .

I. *Capital. First section: Capital in general.* (Throughout this section wages are invariably assumed to be at their minimum. Movements in wages themselves and the rise and fall of that minimum will be considered under wage labour. Further, landed property is assumed to be zero, i.e. landed property as a special economic relation is of no relevance yet. Only by this procedure is it possible to discuss one relation without discussing all the rest.) (CW40, 298)

By November he was still working on it, and in a letter to Lassalle explained:

The first section, "*Capital in General*," is likely to run to 2 *installments* since I have discovered while elaborating it that here, at the very juncture where the most abstract aspect of political economy is to be discussed, undue brevity would render the thing indigestible to the public. (CW40, 354)

By January 1859, the work was taking shape for publication as what we now know as *A Contribution to the Critique of Political Economy*. Marx told Engels:

The manuscript amounts to about 12 sheets of print (3 installments) and—don't be bowled over by this—although entitled *Capital in General*, these installments contain **nothing** as yet on the subject of capital, but only the two chapters: 1. *The Commodity*, 2. *Money or Simple Circulation*. As you can see, the part that was worked out in detail (in May, when I was staying with you) is not to appear at all yet. (CW40, 368)

Writing to Weydemeyer in February, he said:

My *Critique of Political Economy* is to be published in installments (the first ones in a week or ten days' time) by Franz Duncker of Berlin. . . . He has, however, left himself a loophole. *A firm contract depends on the sale of the first installments*.

I divide the whole of political economy into 6 books.

Capital; landed property; wage labour; the State; foreign trade; world market. (CW40, 376)

This was to be Marx's last reference, apart from his preface to the *Contribution to the Critique*, to dividing the work into six books. Only there did he set forth publicly the six-part plan, saying: "I examine the system of bourgeois economy in the following order: *capital, landed property, wage-labour; the State, foreign trade, world market*" (CW29, 261). However, he advises the reader that this plan is only provisional:

The entire material lies before me in the form of monographs, which were written not for publication but for self-clarification at widely separated periods; their remoulding into *an integrated whole* according to the plan I have indicated will depend upon circumstances. (CW29, 261; emphasis added)

In the years to come there is *not a single further reference* to this six-part outline or to any book on wage labor that Marx was planning. It bears repeating that even at this time he thought that the work would constitute "an integrated whole." He also seemed to express some doubt that everything would proceed according to this plan.

After the publication of the *Contribution*, which met with a discouraging public response, the plan to proceed with subsequent installments faltered. As Marx told Lassalle in October 1859:

I shall now be obliged to remodel the thing completely, as the manuscript for this second instalment is already a year old; and, since my circumstances do not permit me to devote much time to the matter just now, I hardly think I shall be able to finish it before the end of December. That, however, would be at the *very outside*. (CW40, 499)

In November he confided to Engels:

My circumstances are such as to preclude my doing sufficient work on the 2nd instalment, which I regard as of crucial importance. It does, in fact, contain the pith of all the bourgeois stuff. (CW40, 523)

In January 1860, Engels urged him on as he had done for more than fifteen years:

The early appearance of your 2nd instalment is obviously of paramount importance in this connection and I hope that you won't let the Vogt affair stop you from getting on with it.² Do try for once to be a little less conscientious with regard to your own stuff. (CW41, 14)

In February Marx reported reassuringly that he was "working on my *Capital*. If I set about it with determination, it will be finished in 6 weeks and, *after* the lawsuit, it will be a *success*" (CW41, 23). (This is the first time he refers to his work with this title.)

An outline that Marx prepared sometime in 1860, overlooked in all previous studies of the evolution of his economic analysis, reveals a transitional format between the six-book and the four-book plans. In fact, this outline clearly prefigures the organizational plan of *Capital*, in which the labor–capital relation lies at the heart of his analysis. In part 1 he proposes an analysis of "The process of production of capital." Under this heading, the second section encompassed "Exchange between commodity and labour capacity," which in turn included such topics as "Exchange value of labour," "Historical conditions of the relationship of wage labour and capital," "Labour capacity," and "Average wages." Other headings under part 1 are "The labour process," "Relative surplus value," and "Wage labour and capital." Part 2 is called the "Circulation process of capital" and part 3 "Capital and profit." There is an unnumbered fourth part that deals with the history of political economy (CW29, 511–17). The existence of this outline is persuasive evidence that Marx had abandoned the six-part plan and any thoughts of a separate, logically distinct treatment of wage labor.

In June 1861, he told Engels: "A week ago I made a serious start on my book" (CW41, 292). He had begun to work on the manuscript of 1861–63, though at first it was intended simply as a continuation of the *Contribution to the Critique*. Also indicating that the six-part plan was scuttled, wage labor, landed property, and even the history of political economy (which was never part of that plan) were examined in the midst of his analysis of capital. This confirms that he had come to realize that he could not analyze wage labor in a separate compartment from capital. In retrospect, this is not surprising. As he had suggested in the *Grundrisse*, capital was not a material thing, as political economy conceived it, nor was it even simply a relation, as the radical critics of political economy argued. It was a *process*, in which labor played an inextricable part. "Capital is not a simple relationship but a *process*, always remaining capital in its various moments. This process must therefore be analysed" (CW28, 189). Moreover, it was a process in which the two elements of capital and wage labor were inseparable: "Capital and wage labour . . . merely express two factors in the same relation" (CW34, 413).

In *The Economic Manuscript of 1861–63* Marx does not reveal an outline or plan for the work as a whole, though he does occasionally refer to a "chapter on wages" (never a "book on wage labor") he has in mind.³ At the same time, he includes very important material on wages and wage labor, and in fact it is in this work that he for the first time spells out the fundamental elements of his mature wage theory. Writing to Engels in December 1861, he explained:

My writing is progressing, but slowly. Circumstances being what they were, there was, indeed, little possibility of bringing such theoretical matters to a rapid close. However, the thing is assuming a much more popular form, and the method is much less in evidence than in Part I. (CW41, 333)

In a letter to Lassalle in April 1862, he seemed to believe that he was near completion:

As for *my book*, it won't be finished for another two months. During the past year, to keep myself from starving, I have had to do the most despicable hackwork and have often gone for months without being able to add a line to the "thing." And there is also that quirk I have of finding fault with anything I have written and not looked at for a month, so that I have to revise it completely. (CW41, 356)

In August, however, he told Engels:

All things considered, it's a real miracle that I have been able to get on with my theoretical writing to such an extent. I now propose after all to include in this volume an extra chapter on the theory of rent, i.e., by way of "illustration" to an earlier thesis of mine. (CW41, 394)

Dealing with landed property in this way is further evidence that he was not working according to the six-part plan.

At the end of December 1862, in a letter to Kugelmann, Marx explained how matters stood at that point:

The second part has now at last been finished, i.e. save for the fair copy and the final polishing before it goes to press. There will be about 30 sheets of print. It is a sequel to Part I, but will appear on its own under the title *Capital*, with *A Contribution to the Critique of Political Economy* as merely the subtitle. In fact, all it comprises is what was to make the third chapter of the first part, namely "Capital in General." Hence it includes neither the competition between capitals nor the credit system. What Englishmen call "the principles of political economy"⁴ is contained in this volume. It is the quintessence (together with the first part), and the development of the sequel (with the exception, perhaps, of the relationship between the various forms of state and the various economic structures of society) could easily be pursued by others on the basis thus provided. . . .

As soon as I have a fair copy of the manuscript (upon which I shall make a start in January 1863), I shall bring it to Germany myself, it being easier to deal with publishers on a personal basis.

There is *every prospect* that, as soon as the German edition appears, arrangements will be made in Paris for a French version. I have absolutely no time to put it into French myself, particularly since I am going either to write the sequel in German, i.e. to conclude the presentation of capital, competition and credit,⁵ or condense the first two books for *English* consumption into one work. (CW41, 435–36)

Yet in July 1863, he was still working "10 hours a day" on his book (CW41, 485). By mid-August, he believed he was wrapping things up; in a letter to Engels he took stock of what he had accomplished:

In one respect, my work (preparing the manuscript for the press) is going well. In the final elaboration the stuff is, I think, assuming a tolerably *popular* form, aside from a few unavoidable M—C's and C—M's. On the other hand, despite the fact that I write all day long, it's not getting on as fast as my own impatience, long subjected to a trial of patience, might demand. At all events, it will be 100 p. c. more comprehensible than No. 1. When, by the by, I consider my handiwork and realise how I've had to demolish everything and even build up the *historical* section out of what was in part quite unknown material, I can't help finding [Lassalle] a bit of a joke; for he has already got "*his*" political economy in hand. (CW41, 488)

After the summer of 1863, we hear nothing further until October of the following year when, in a letter to Klings, he explained:

I have been sick throughout the past year (being afflicted with carbuncles and furuncles). Had it not been for that, my work on *political* economy, "*Capital*," would already have come out. I hope I may now complete it finally in a couple of months and deal the bourgeoisie a theoretical blow from which it will never recover. (CW42, 4)

The next month he was telling Kugelmann: "I think that my book on capital (60 sheets) will at last be ready for the press next year" (CW42, 46).

However, the founding in 1864 of the International Workingmen's Association (in which he participated) and his added workload in connection with it altered the situation. As he told Engels in 1865, "I really am overworked, as completing my book, on the one hand, and the 'International Association,' on the other, are making very heavy demands on my time" (CW42, 149). In July, Engels, reminding him of the deal they had worked out, asked: "if the latter is *really* almost finished now—how does it stand? The ultimate and final date for completion was 1 September, and the price, you remember, is 12 bottles of wine" (CW42, 168). This prompted the following response:

Now, regarding my work, I will tell you the plain truth about it. There are 3 more chapters to be written to complete the theoretical part (the first 3 books). Then there is still the 4th book, the historical-literary one, to be written, which will, comparatively speaking, be the easiest part for me, since all the problems have been resolved in the first 3 books, so that this last one is more by way of repetition in historical form. But I

cannot bring myself to send anything off until I have the whole thing in front of me. Whatever shortcomings they may have, the advantage of my writings is that they are an artistic whole, and this can only be achieved through my practice of never having things printed until I have them in front of me *in their entirety*. (CW42, 173)

Here is further proof that Marx has been working with a four-book plan in mind, and that he had abandoned the idea of producing his work in installments.

In August he wrote again of his need to have "the whole thing" before him:

The only point in question is whether to do a fair copy of part of the manuscript and send it to the publisher, or finish writing the whole thing first? I have decided in favour of the latter for many reasons. No time is lost by it, as far as the *work itself* is concerned, although some time is lost in printing; however, on the other hand, once begun, that cannot then be interrupted in any way either. . . . Besides, as I have a maximum limit of 60 printed sheets, it is absolutely essential for me to have the whole thing in front of me, to know how much has to be condensed and crossed out, so that the individual sections shall be evenly balanced and in proportion within the prescribed limits. In any case, you can be sure that I shall spare no effort to *complete as soon as possible*, as the thing is a nightmarish burden to me. Not only does it prevent me from doing anything else, but it is also damnedly irksome to have the public kept entertained with the expectation of laurels to come (not by me, to be sure, but by Liebknecht and others). And furthermore, I know that time will not stand still for ever just as it is now. (CW42, 174–75)

By November, however, health problems and his work on behalf of the International were cited as causes of delay: "By my continual relapse into damned ill health I was forced to interrupt the finishing of my book and must now apply to it all my time, part of which is, with all that, absorbed by the International Association" (CW42, 201). In January 1866, on the other hand, he had made sufficient progress that he could report to Kugelmann: "As regards my work, I am now busy 12 hours a day writing out the fair copy. I am thinking of taking the manuscript of the first volume to Hamburg myself in March and using the opportunity to see you" (CW42, 221). The next month he told Engels of a slight departure from his plan: "I could make no progress with the really theoretical part. My brain was not up to that. I therefore elaborated the section on the '*Working-Day*' from the historical point of view, which was not part of my original plan" (CW42, 224). (Here is an indication of what should be apparent to all —that on every project circumstances sometimes necessitate a departure from the original plan. Only the most doctrinaire minds cannot grasp this.) Shortly afterwards, in another letter to Engels, he again indicated that he had abandoned the plan to devote a book to landed property:

As far as this damned book is concerned, the position now is: it was *ready* at the end of December. The treatise on ground rent alone, the penultimate chapter, is in its present form almost long enough to be a book in itself. . . .

Although ready, the manuscript, which in its present form is gigantic, is not fit for publishing for anyone but myself, not even for you.

I began the business of copying out and *polishing the style* on the 1st of January first, and it all went ahead swimmingly, as I naturally enjoy licking the infant clean after long birth-pangs. But then the carbuncle intervened again, so that I have since been unable to make any more progress but only fill out with more facts those sections which were, according to the plan, already finished.

Otherwise, I agree with you and shall get the first volume to Meissner as soon as it is ready. But in order to complete, I must at least be able to *sit*. (CW42, 227–28)

In July 1866, he asked Engels to write an appendix for volume 1 (which he did not do), describing it as "my principal work" (CW42, 291).

In August he wrote Kugelmann saying that he didn't think he'd "be able to deliver the manuscript of the first volume (it has now grown to 3 volumes) to Hamburg before October" (CW42, 312). In October he wrote again, saying:

My circumstances (endless interruptions, both physical and social) oblige me to publish *Volume One* first, not both volumes together, as I had originally intended. And there will now probably be 3 volumes.

The whole work is thus divided into the following parts:

Book I. The Process of Production of Capital.

Book II. The Process of Circulation of Capital.

Book III. Structure of the Process as a Whole.

Book IV. On the History of the Theory.

The first volume will include the first 2 books.

The 3rd book will, I believe, fill the second volume, the 4th the 3rd.

It was, in my opinion, necessary to begin *ab ovo* [from the beginning] in the first book, i.e., to summarise the book of mine published by Duncker in *one* chapter on commodities and money. I judged this to be necessary, not merely for the sake of completeness, but because even intelligent people did not properly understand the question, in other words, there must have been defects in the first presentation, especially in the *analysis of commodities*. (CW42, 328–29)

When Engels heard from Marx in November that he had sent off the first sheets of volume 1, he wrote:

The news that the manuscript has gone off is a load off my mind. So, a *commencement d'exécution* [commencement of proceedings] at last, as the *Code pénal* has it. To that end I shall drink a special glass to your particular health. The book has greatly contributed to wrecking your health; once you have got it off your back, you'll be quite a different fellow again. (CW42, 332–33)

In January 1867, Marx told Engels that the publisher wanted to have two volumes ready at the same time. He said, however, that "a yet greater obstacle to my committing myself to the 2nd volume is the fact that, when the first one has appeared, I shall have to make a pause for my health's sake" (CW42, 343). Or April 2, he informed him that the manuscript for volume 1 was completed and that he would personally deliver it to the publisher in Hamburg. Later that month he relayed the news that the publisher "now wants that the book should appear *in 3 volumes*. In particular he is opposed to my compressing the final book (*the historico-literary part*) as I had intended" (CW42, 357). On April 17, he wrote to Becker:

The whole work will appear in 3 volumes. The title is *Capital. A Critique of Political Economy*. The first volume comprises the First Book: "*The Process of Production of Capital*." It is without question the most terrible missile that has yet been hurled at the heads of the bourgeoisie (landowners included). (CW42, 358)

Engels again remarked on the personal implications for him of completing the work, writing on April 27, 1867:

[F]rom what you write, the future also looks rosier at last. I always had the feeling that that damn book, which you have been carrying for so long, was at the bottom of all your misfortune, and you would and could never extricate yourself until you had got it off your back. Forever resisting completion, it was driving you physically, mentally and financially into the ground, and I can very well understand that, having shaken off that nightmare, you now feel quite a new man, especially as, once you have got back into it again, the world doesn't seem so gloomy a place as it did before. (CW42, 362)

Now begins a series of letters in which Marx, assessing the status of his project, looks back over what he has completed and forward to what remains—this taking stock revealing his view of the work as a whole. In a letter to Meyer in April, he wrote:

Why then did I not answer you? Because I was the whole time at death's door. I thus had to make use of **every** moment when I was capable of work to complete my book, to which I have sacrificed my health,

happiness, and family. I hope this explanation suffices. I laugh at the so-called "practical" men and their wisdom. If one wanted to be an ox, one could, of course, turn one's back on the sufferings of humanity and look after one's own hide. But I should really have thought myself *unpractical* if I had pegged out without finally completing my book, at least in manuscript.⁶

The first volume of the book will be published by *Otto Meissner* in Hamburg in a few weeks. The title of the work is: "*Capital. A Critique of Political Economy*." I travelled to Germany to bring over the manuscript, and I am spending a few days with a friend in Hanover [Kugelman] on my way back to London.

Volume I comprises the "*Process of Production of Capital*." As well as setting out the general theory, I examine in great detail the conditions of the English—agricultural and industrial—proletariat *over the last 20 years*, ditto the condition of *Ireland*, basing myself on *official* sources that have never previously been used. . . .

I hope that a year from now the whole work will have appeared. *Volume II* contains the continuation and conclusion of the theory, *Volume III the history of political economy from the middle of the 17th century*. (CW42, 366–67)

In May he was writing to Engels with a sense of closure about the whole project:

Finally, Meissner is demanding the 2nd volume by the end of the autumn at the latest. I shall therefore have to get my nose to the grindstone as soon as possible, as a lot of new material relating especially to the chapters on credit and landed property has become available since the manuscript was composed. The third volume must be completed during the winter, so that I shall have shaken off the whole *opus* by next spring. . . . Without you, I would never have been able to bring the work to a conclusion. (CW42, 371)

In his preface to volume 1 he made it quite clear that it was produced according to the four-book plan. There is no mention of any proposed treatment of wage labor separate from *Capital*; if he was planning such a work, surely here he would have disclosed this.

The work, the first volume of which I now submit to the public, forms the continuation of my *Zur Kritik der Politischen Oekonomie (A Contribution to the Criticism of Political Economy)* published in 1859. . . .

The second volume of this work will treat of the process of circulation of capital (Book II), and of the varied forms assumed by capital in the course of its development (Book III), the third and last volume (Book IV), the history of the theory. (CW35, 7, 11)

In letters to Engels and others about this time, Marx began to address the theoretical significance of volume 1 in a manner that belies any claim he was planning a separate treatment of wage labor. In fact, he regarded the analysis of wage labor as among the most important elements in the work. He wrote in August 1867:

The best points in my book are 1. (this is fundamental to *all* understanding of the facts) the *two-fold character of labour* according to whether it is expressed in use-value or exchange-value, which is brought out in the very *First Chapter*; 2. the treatment of *surplus-value regardless of its particular forms* as profit, interest, ground rent, etc. This will be made clear in the second volume especially. (CW42, 407)

And in another letter to Engels written in January 1868, after reading a published review of *Capital*, he wrote:

Curiously, the fellow has not detected the three fundamentally new elements of the book:

1. that in contrast to *all* previous political economy . . . I begin by dealing with the general form of surplus value. . . .

2. that the economists, without exception, have missed the simple fact that, if the commodity has the double character of use value and exchange value, then the labour represented in the commodity must also

have a double character; thus the bare analysis of labour *sans phrase*, as in Smith, Ricardo, etc., is bound to come up against the inexplicable everywhere. This is, in fact, the whole secret of the critical conception;

3. that for the first time wages are shown as the irrational outward form of a hidden relationship, and this is demonstrated exactly in both forms of wages: time wages and piece wages. (CW42, 514)

Engels had already admired "the quite splendid exposition of the relationship between labour and capital—for the first time here in its full context and complete" (CW42, 405).

Also in January, Marx told Engels that "As far as the 'Lassalleans' are concerned, *I only deal with the trade unions, cooperative societies, etc. in Volume II*" (CW42, 527; emphasis added).⁷ Although there is no clear indication why Marx never managed to include the treatment of trade unions in his final manuscript for Book II or III ("Volume II"), here at least is the evidence that he intended to. There is however, ample evidence of the multitude of difficulties he faced in trying to complete his work. Writing to Kugelman in March, he explained:

In Volume II (which will probably never appear if my condition does not change) property in land will be one of the subjects analysed, competition only in so far as called for in the treatment of other themes. . . .

My circumstances are very harassing, since I was unable to do any additional work which would bring in money, but must always maintain a certain appearance for the children's sake. If I didn't have to produce these 2 damned volumes (and look for an *English* publisher besides), which can be done only in London, I would move to Geneva where I could live very well with the means at my disposal. (CW42 544)

His comment about moving to Geneva and having to finish the last two volumes is further confirmation that he had no plans for a continuation of his work in the form of additional books.

What plans Marx did have he did not conceal; he outlined the rest of his project in Books II, III, and IV—indicating in a limited way what he would cover in those books. Thus, in a letter to Engels of April 30, 1868, he discussed the conclusion of Book III and revealed that he intended to include the class struggle in his analysis of capitalist relations of production:

At last we have arrived at the *forms of manifestation* which serve as the *starting point* in the vulgar conception: rent, coming from the land; profit (interest), from capital; wages, from labour. But from our standpoint things now look different. The apparent movement is explained. . . . Finally, since those 3 items (wages, rent, profit (interest)) constitute the sources of income of the 3 classes of landowners, capitalists and wage labourers, we have the *class struggle*, as the conclusion in which the movement and disintegration of the whole shit resolves itself. (CW43, 25)

In the circular letter of March 18–25, 1875, to August Bebel and other socialist leaders in Germany criticizing their unification agreement with the Lassalleans, Engels, writing in consultation with Marx, specifically pointed out to them that volume 1 of *Capital* deals with "the laws governing wages":

Now in *Capital* Marx has *amply demonstrated that the laws governing wages are very complex*, that, according to circumstances, now this law, now that, holds sway, that they are therefore by no means iron but are, on the contrary, exceedingly elastic, and that the subject really cannot be dismissed in a few words, as Lassalle imagined. Malthus's argument . . . is exhaustively refuted by Marx in the section on "Accumulation of Capital." (CW45, 62; emphasis added)

In fact, it was the situation in Germany with the passage of the Anti-Socialist Law that then prevented Marx from publishing the remainder of *Capital*. In a letter to Danielson in April 1879 he writes:

I have been informed from Germany, my second volume *could not be published* so long as the present regime was maintained in its present severity. This news . . . I must confess, was far from annoying me—for these reasons:

Firstly: I should under no circumstances have published the second volume before the present English industrial crisis had reached its climax. The phenomena are this time singular. . . .

Secondly: The bulk of materials I have received not only from *Russia*, but from the *United States*, etc., make it pleasant for me to have a "pretext" of continuing my studies, instead of winding them up finally for the public. (CW45, 354–55)

His ill-health and exhaustion were perhaps the most important factors, as Engels confided to Becker in December 1879: "The second volume is making slow progress, nor is it likely to progress any faster until a summer better than the last one enables Marx to recover properly for once" (CW45, 432). Then too, there was the time-consuming work preparing new editions of volume 1, as Marx complained about to his daughter, Jenny Longuet, in December 1881:

I was rather disagreeably affected by Meissner's communication, that a new third edition of the *Capital* Vol. I has become necessary. I wanted indeed to apply all my time—as soon as I should feel myself able again—exclusively to the finishing of the 2nd volume. (CW46, 158)

There really is no mystery therefore why Marx never published the remaining volumes of *Capital* before his death in 1883, especially in view of the extremely exacting standards he set himself.⁸ As Engels told Sorge shortly after Marx's death:

Had it not been for the mass of American and Russian material (there are over two cubic metres of books of Russian statistics alone), Volume II would have long since been printed. These detailed studies held him up for years. As always, everything had to be brought right up to date and now it has all come to nothing, apart from his excerpts which will, I trust, include many of his customary critical commentaries for use as notes to Volume II. (CW47, 42)

So the task fell to Engels to complete these volumes, and as he revealed to Bebel in August 1883:

As soon as I am back I shall get down to Volume II in real earnest and that is an enormous task. Alongside parts that have been completely finished are others that are merely sketched out, the whole being a *brouillon* with the exception of perhaps two chapters. Quotations from sources in no kind of order, piles of them jumbled together, collected simply with a view to future selection. Besides that there is the handwriting which certainly cannot be deciphered by anyone but *me*, and then only with difficulty. You ask why I of all people should not have been told how far the thing had got. It is quite simple; had I known, I should have pestered him night and day until it was all finished and printed. And Marx knew that better than anyone else. He knew besides that, if the worst came to the worst, as has now happened, the ms. could be edited by me in the spirit in which he would have done it himself, indeed he told Tussy [Eleanor Marx] as much. (CW47, 53)

His letter of March 1885 to Laura Lafargue is also revealing:

The 3rd book [of] *Capital* is getting grander and grander the deeper I get into it. . . . It is almost inconceivable how a man who had such tremendous discoveries, such an entire and complete scientific revolution in his head, could keep it there for 20 years. For the ms. I am working at, has been written either before, or at the same time as the *first volume*; and the essential part of it is already in the old manuscript of 1860–1862. The fact is, first the intricacies of the 2nd book (which he wrote last and which alone he touched after 1870) kept him fast, as he of course would have to publish his 3 books in regular order; and then, his Russian and American material for the theory of rent of land would have required working up into the old manuscript and would probably have nearly doubled its size. (CW47, 264)

In the end, Marx's failing health was the supreme obstacle to completing the work, and this was finally appreciated by Engels. In a letter to Danielson in November 1885, he discussed this:

I thank you very much for your extracts from [Marx's] letters from 1879 to 1881. I could not read them without a sorrowful smile. Alas, we are so used to these excuses for the non-completion of the work! Whenever the state of his health made it impossible for him to go on with it, this impossibility preyed heavily upon his mind, and he was only too glad if he could only find out some theoretical excuse why the work should not then be completed. All these arguments he has at the time made use of vis-à-vis *de moi*; they seemed to ease his conscience. (CW47, 348–49)

And in another letter to Danielson in November 1886, he described the three volumes of *Capital* as Marx's complete theoretical statement:

I shall be only too glad when I can bring out the 3rd volume for as you say only then will the whole system of the author be completely understood and many stupid objections made at present will fall completely to the ground. (CW47, 523)

Having surveyed the entire record of Marx's expressed intentions regarding his critique of political economy, and also having reviewed in the previous chapter the exposition of his wage theory in *Capital*, the proposition that he intended to write a book on wage labor that would follow the publication of *Capital* and that would complete his economic analysis of capitalist relations of production can be seen to be totally without foundation. His theory of wages and wage labor has long been an indispensable element in the ideological arsenal of the working-class movement; to pretend that it does not exist is an attempt to disarm working people by denying them this part of his legacy.

As to the absence in *Capital* of any discussion of trade unions, there are several observations to be made. First, it has long been known that Marx's commentary on trade unionism was scattered throughout his writings (though until it was all assembled in one volume, few had any idea that he had written so much on the subject). Those interested in his views on the trade union struggle supplemented their reading of *Capital* with the analysis in *Value, Price, and Profit*, which traditionally was read along with *Wage Labor and Capital*. He discussed the labor movement in other writings too, notably *The Poverty of Philosophy*. Lenin thought that this work provided "the program and tactics of the economic struggle and of the trade-union movement." But, as he also pointed out, Marx's and Engels's analysis of the labor movement was dispersed throughout their writings and needed to be "brought together, collected, examined and studied" (Lenin 1970, 288, 287). For this and other reasons, the misconception that Marx ignored or was contemptuous of the workers' wage struggle gained wide currency. Typically, it was assumed that he "underestimated the economic consequences of trade unions" and even that his theory of trade unionism "remains to be written" (Blaug 1962, 244–45). The suggestion that there is a "missing book" on wage labor is another version of this thesis. The theoretical substantiation of the labor movement that he provided has remained for most scholars a terra incognita.

Why then was such an important question hardly touched on in *Capital*? It has been observed that Marx states in volume 1 that for purposes of analysis the assumption is made that commodities, including labor power, are bought and sold at their value. Fluctuations in price, and wages are the price of labor power, were excluded. Thus Henryk Grossmann writes:

By this assumption not only the employer's attempts to depress the price of labor-power below its value but also the action of trade unions to raise wages are excluded from the beginning. This is also the reason the trade-union struggle is scarcely mentioned in Marx's *Capital* in relation to the theoretical analysis of wage determination. (cited in Lapides 1994, 253)

As we saw, however, in his letter of January 25, 1868, Marx stated that he was planning to discuss the trade unions in volume 2 (that could have meant either Book II or III). Significantly, he said he would deal with the question in connection with the Lassalleans, who were opposed to strikes and other forms of militant trade union activity. Since they justified their opposition to wage struggles by the so-called iron law of wages, an exposition of the real laws of wages and their relationship to trade unionism would

certainly be indicated in this context. We also know from his letter of April 30, 1868, that he planned to conclude Book III with a discussion of classes and the class struggle. But since his chapter on classes breaks off abruptly at the end of the manuscript, does this mean that his analysis of the role of trade unions is lost, equivalent to a "missing book" on wage labor? Not at all, since we already have his analysis of this question in his manuscript fragment of 1863–66, in *Value, Price, and Profit*, and in other writings.

In the previous chapter we saw that Marx spoke of the "theory of wages" in a sense other than it is generally understood. He did, however, also speak of his "theory of wage labour," and this was clearly in the sense employed throughout this work. In his *Contribution to the Critique of Political Economy*, he asks: "given labour time as the intrinsic measure of exchange value, how are wages to be determined on this basis." This of course is precisely what he set out to demonstrate in volume 1 of *Capital*, and his next sentence should finally demolish the myth of a "missing book." He writes: "The theory of wage labour provides the answer to this" (CW29, 301). Marx believed, in other words, that *Capital* provides the theory of wage labor (what we have been calling the theory of wages).

Of what significance, then, is this debate over Marx's plan for writing *Capital*? While it requires no great mental feat to grasp the importance of wages under our present social arrangements, it is not so easy to penetrate the veil they throw over those relations. The wage phenomenon conceals within itself the secret of capital, and until Marx demonstrated this and laid bare its inner dynamics economists could not explain the essential process of the capitalist system. There are few elements of his analysis that are as crucial therefore as his theory of wages, yet there is none that has been more neglected or more misunderstood. Some would even deny its existence. As Marx said, however, it is upon the direct relation between worker and capitalist, embodied in the exchange of labor power for wages, that "the whole wages system and the whole present system of production hinge" (CW20, 135).

NOTES

1. Grossmann cites this from Engels's Preface to volume 2 of *Capital*. But Engels' comment does not pertain to *Capital* in general, as is often assumed. It deals only with a particular question, as he made clear: "An essential portion of Chapter XVII, Part II," he wrote, referring to Marx's analysis of the circulation of surplus value, "was once more reworked and expanded. The logical sequence is frequently interrupted, the treatment of the subject gappy in places, and very fragmentary, especially the conclusion. But what Marx intended to say on the subject is said there, somehow or other" (Marx 1957, 4).

2. The "Vogt affair" was a legal-political quarrel that absorbed much of Marx's time and energy, though it had no bearing on his economics. It resulted in the publication by Marx of his least-read book, *Herr Vogt* (1860).

3. Since *Capital*, volume 1, has several chapters on wages, these references do not suggest any intention to produce a separate work on the subject.

4. This would certainly include wage theory.

5. The reader will notice that Marx's "sequel" includes no "book on wage labor."

6. This hardly sounds like a man who was still planning to write a book on a topic of such fundamental importance as wage labor.

7. This important remark has been overlooked in all previous examinations of this question.

8. "He possessed extraordinary scientific scruples coupled with an artist's devotion to form" (Lapides 1992, 159).

Chapter 12

The "Increasing Misery" Debate

Every theory becomes infinitely more difficult from the moment that it touches on the province of moral quantities.

—Clausewitz

Shortly before his death, Engels was asked by friends in Russia to intervene in a dispute concerning Marx's theory, in which "books and reviews . . . not only misinterpret but even misquote" his writings. He invariably refused these requests, he said, because of his difficulties with the language and also because "there are people everywhere who, in defending a position to which they are devoted, will not hesitate to resort to any distortion or deceit; and if that is what has happened with regard to [Marx's] writings, I'm afraid that they will not go lightly on me either, and ultimately I shall be compelled to join the debate, to defend myself as well as others" (*Werke* 39, 328). He had already seen how Marx's "writings and correspondence have been interpreted in the most contradictory ways, exactly as if they had been texts from the classics or from the New Testament" (Marx and Engels 1953, 254).

In fact, in the more than one hundred years since he wrote these lines, no "other economic theorist has had his works subjected to such furious analysis and such crass misrepresentation as has Marx" (Kühne 1979a, 42). The misrepresentation of Marxian wage theory that is the most far-reaching in its implications and widespread in its dissemination is the allegation that it rests on a thesis of "increasing misery" of the working class. According to this interpretation, Marx predicted that as capitalism developed, real wages would fall and working people would be permanently reduced to the most abject poverty, to "bare subsistence." This claim has sparked the oldest, most tangled controversy in the history of Marxism, in which not only critics and defenders of Marx are divided, but each camp is also divided against itself.

Even before the German Social Democrats quarreled over the Erfurt Program in 1891, the interpretation of Marx's wage theory as a version of Lassalle's "iron law of wages" has been a bone of contention among socialists, economists, and scholars, though it was there that it first became an inflammatory issue and it has remained so ever since. It has long excited debate because of its important political implications, in which the future of capitalist society and strategies for transforming it are believed to be at stake. Most contentiously though, the "increasing misery" doctrine is said to undermine the credibility of Marx's wage theory—it being argued that the large increase in material goods consumed by working people over the past century is proof of its falseness.

In previous chapters we followed the development of Marx's theory in detail, and though it was combed for every significant feature, once the transition was made from its first formulation to its final, mature expression, no prediction of falling real wages was found, nor was one implied. Only a fall in the *value* of labor power, due to rising productivity (which could lead to higher material consumption), can be ascribed to Marx. Those who do not understand his theory have confused these two categories (and ignore altogether his use of the Ricardian concept of relative wages). Rather than rehash all the arguments exchanged in this controversy,¹ we continue our approach from a historical perspective, examining its origins and the positions taken by its earliest protagonists.

In the first decades of the nineteenth century in England, the increasing misery of working people was real and acknowledged on all sides; it was reflected not only in the writings of economists, but in that of social critics, novelists, poets, and others. There was no debate whether the masses were victims of increasing misery; the only questions people asked were why this was so and what might be done about it. Malthus built his whole reputation by providing the ruling classes with palatable answers to this problem, and while he sparked a great controversy, no one disputed the fact of this misery itself. As one of Malthus's critics lamented, "The people are poor, and growing poor-

er" (Ensor [1818] 1967, 441). When "the Condition of England Question" was framed, this is what people had in mind.

Sir Frederic Morton Eden's *The State of the Poor* (1797) was in its time the most monumental effort to investigate the history, scope, and causes of this problem. The rise of industry and the dispossession of the rural population were cited as the root causes of mass impoverishment. "The decrease of villeinage seems necessarily to have been the era of the origin of the Poor," he wrote. "Without, therefore, disparaging the benefits of commerce the result of this investigation seems to lead to the inevitable conclusion that manufactures and commerce are the true parents of our national Poor" (Eden 1928, 3–4). Eden, whom Marx called "the only disciple of Adam Smith during the eighteenth century that produced any work of importance" (CW35, 611), also observed that those "who can abundantly command all the necessaries of life, owe their superior advantages to the industry of others." Though he was no radical, this reasoning owes more to Godwin than it anticipates Malthus. "It is not the possession of land or money," he wrote, "but the command of labour that distinguishes the opulent from the labouring part of the community" (Eden 1928, 1). In the end, however, there seemed no reason to doubt that working people were inevitably reduced to misery.

It is impossible to read any literature from this period without encountering references to growing popular misery. "Concerning the misery and degradation of the bulk of the people of England, men of every order, as well as every party, unite and speak continually," an observer writes in 1833 (cited in Webb 1920a, 155). Charles Hall had written that "the poor [are] becoming every day poorer and poorer, in most states. Hence the wealth or power of the one increasing, is the cause of the increase of poverty and subjection of the other." He saw a tendency toward a continual "diminution of the wages, and a deterioration of the condition of the poor" (Hall [1805] 1965, 94, 114). Robert Owen, in his "Report to the County of Lanark" (1820), spoke of "the daily increasing poverty and distress of the working classes (going on apparently without limitation)" (Owen 1927, 250). The author of *The Source and Remedy of the National Difficulties* also observed: "Notwithstanding 'the growing wealth and prosperity' of this country, the situation of the labourer has been getting worse and worse daily and hourly these two hundred years" (*Source and Remedy* 1821, 26). And Piercy Ravenstone wrote the same year:

That the condition of the labouring classes in England, has, of late years, become much worse; that their earnings no longer admit of the enjoyment of many comforts to which they were formerly accustomed, is on all sides admitted; on this point there is no dispute. The only controversy is, as to the cause of their increased misery. (Ravenstone [1821] 1966a, 263)

Not only radicals voiced this concern. Peter Gaskell, in his *Artisans and Machinery* (1836), commented:

The declension of the most numerous class of artisans in Great Britain, from comfort, morality, independence, and loyalty, to misery, demoralization, dependence, and discontent, is the painful picture now presented by the domestic manufactures. . . .

It is a new era in the history of commerce that an active and increasing trade should be the index, not to the improvement of the condition of the working classes, but to their poverty and degradation. (Gaskell [1836] 1968, iii, xi)

In short, all agreed with William Thompson that the workers have become "more and more dependent and wretched" (Thompson [1827] 1969, 96).

This perception of growing misery and its ideological reflection in both revolutionary and reactionary tracts found institutional expression in the early socialist movement in Germany. Though the "iron law of wages" was no more than a version of the Malthusian wage-fund dogma, Ferdinand Lassalle affixed it to his organization's program as the emblem of its opposition to bourgeois society and the excuse for its refusal to support striking workers who were actually fighting it. Critical and apologetic aspects of the notion of "increasing misery" were thus fused and embedded in the psyche of the Social Democratic movement in Germany at its very inception. From the word *Elend* (misery) the word *Verelendung* was coined, meaning reduction to misery, impoverishment, or pauperization. The "increasing misery" debate

was first couched therefore in terms of Marx's putative *Verelendungstheorie*, in which was posited the *Verelendungstendenz*, that is, the tendency toward impoverishment or growing misery of the working class. When this debate spilled over into English the phrase "increasing misery" was employed until Joseph Schumpeter in 1942 proposed the term "immiserization" (Schumpeter 1950, 22). This was subsequently modified by other writers to "immiseration," though the phrase "increasing misery" remains in wide use.

While writers routinely refer to "Marx's theory of immiseration," there has been considerable disagreement (although not much serious thought given) as to what this term really means, as well as if such a theory may even legitimately be ascribed to Marx. At issue therefore is the theoretical authenticity of the *Verelendungstendenz*, in addition to its validity, its precise nature, and its political implications. While interpretations of "immiseration" have ranged from wage levels tending toward a physiological minimum, at one extreme, to the spiritual malaise of alienation, at the other, it is usually meant to imply that real wages will fall and remain depressed. Kühne has pointed out, however, that the word *Verelendung* is not to be found in Marx's writings.

There is no doubt that in his earliest writings Marx assumed that wages would, on average, remain at or near the level of physical subsistence. He did not invent this idea, nor did Engels, in whose article "Outlines of a Critique of Political Economy" (1844) he came across it. As we have seen, the notion that workers' wages generally corresponded to the minimum necessary to support life (including a family) originated with the founders of political economy; it does appear, however, that Marx and Engels, in their initial critique of capitalist economic relations, tended to emphasize this notion. Thus, in his *Economic and Philosophic Manuscripts of 1844* Marx had concluded: "in a declining state of society—increasing misery of the worker;² in an advancing state—misery with complications; and in a fully developed state of society—static misery" (CW3, 239). And in *The Poverty of Philosophy* (1847) he wrote that wages were just sufficient to procure "the objects indispensable to the constant maintenance of labour, that is, to keep the worker alive and in a condition to propagate his race. The natural price of labour is no other than the minimum wage" (CW6, 125). When, in 1885, this work was issued in a German edition, Engels inserted a footnote at this point, qualifying Marx's statement with these words:

The thesis that the "natural," i.e., normal price of labour power coincides with the minimum wage, i.e., with the equivalent in value of the means of subsistence absolutely indispensable for the life and procreation of the worker, was first put forward by me in "Outlines of a Critique of Political Economy" (*Deutsch-Französische Jahrbücher*, Paris, 1844) and in *The Condition of the Working Class in England*. As seen here, Marx at that time accepted the thesis. Lassalle took it over from both of us. Although, however, in reality wages have a constant tendency to approach the minimum, the above thesis is nevertheless incorrect. The fact that labour power is regularly and on the average paid below its value cannot alter its value. In *Capital*, Marx has put the above thesis right. (CW6, 125n)

These early formulations, which in Marx and Engels were merely the reflection of orthodox political economy (directed against itself) as well as undisputed empirical reality, were adopted by Lassalle and made into a dogma of socialist economics. Marx himself shortly abandoned the notion, rejecting it implicitly in his writings of the 1850s and explicitly in the 1860s. Lassalle's "iron law of wages," however, entered German socialism, where it served as a fig leaf for the opportunism of his organization in relation to workers' wage struggles and its opposition to trade unions. In his Preface to the first German edition of *Capital*, volume 1, Marx felt it necessary to dissociate himself from the "important mistakes" made by Lassalle when the latter professed to give "the intellectual quintessence" of his theories (CW35, 8n).

But Marx was not very successful in alerting his followers in Germany to the distinction between his and Lassalle's views. His *Critique of the Gotha Program* (1875), for instance, his best known but by no means only attempt to express his opposition to Lassalle's views, was suppressed by Liebknecht; even Bebel did not see it until 1890, at which time he too opposed its publication (Jones 1980, 263). Marx's comments in this document, however, show his disgust not only with Lassalle's puerile notion but with the

fact that his own revolution in wage theory was being obscured by it. He wrote:

It is well known that nothing of the "iron law of wages" is Lassalle's except the word "iron" borrowed from Goethe's "great, eternal, iron laws." The word *iron* is a label by which the true believers recognise one another. But if I take the law with Lassalle's stamp on it and, consequently, in his sense, then I must also take it with his substantiation. And what is that? As Lange already showed, shortly after Lassalle's death, it is the Malthusian theory of population. . . .

But all this is not the main thing. *Quite apart* from the *false* Lassallean formulation of the law, the truly outrageous retrogression consists in the following:

Since Lassalle's death there has asserted itself in *our* Party the scientific understanding that *wages* are not what they *appear* to be, namely the *value*, or *price*, of *labour*, but only a masked form for the *value*, or *price*, of *labour power*. Thereby the whole bourgeois conception of wages hitherto, as well as all the criticism hitherto directed against this conception, was thrown overboard once for all and it was made clear that the wage-worker has permission to work for his own subsistence, that is, *to live* only insofar as he works for a certain time gratis for the capitalist . . . ; that, consequently, the system of wage labour is a system of slavery, and indeed of a slavery which becomes more severe in proportion as the social productive forces of labour develop, whether the worker receives better or worse payment. . . .

It is as if, among slaves who have at last got behind the secret of slavery and broken out in rebellion, a slave still in thrall to obsolete notions were to inscribe on the programme of the rebellion: Slavery must be abolished because the feeding of slaves in the system of slavery cannot exceed a certain low maximum!

This, Marx concluded, was "a monstrous attack" on the correct understanding of wages that had been achieved in the party, carried out with "criminal levity" and a "lack of conscience" (CW24, 91–92). We have only to substitute "immiseration thesis" for "iron law of wages" to see with what contempt Marx would have reacted had he lived to see how his theory was reduced to caricature.

As a result, therefore, of the 1875 merger of the two wings of the German socialist movement, much that had been Marx's contribution was regarded as Lassalle's (the latter had always deliberately fostered this), while much of Lassalle's legacy was perceived to be Marx's. To this day, the "iron law of wages" is a case in point. Taken with Marx's early writings, particularly the *Communist Manifesto*, Lassalle's antiquated view of wages entered German socialism under cover of Marxist orthodoxy. As Engels complained to Bebel, "our people have allowed themselves to be saddled with the Lassallean 'iron law of wages.'" This, he said, "was for our party a tremendous moral defeat" (CW45, 62, 97). To see that Engels's fears were not unjustified we have only to observe that within a few years Arnold Toynbee, in lectures of 1880–81 (published in 1884), influenced generations of students with the statement: "Karl Marx and Lassalle have adopted Ricardo's law of wages . . . [that] wages, under our present social institutions, can never be more than sufficient for the bare subsistence of the labourer" (Toynbee 1956, 103–4). Thus the spurious "Marxism" of the "iron law of wages" reached British shores, with the Social Democratic Federation of H. M. Hyndman embracing it (along with Lassalle's misguided opposition to trade unions). Compared with Lassalle's poetic-sounding "law," the complexity of Marx's actual wage theory was at a disadvantage in finding a foothold in the popular imagination. As Marx said, "*Scientific* attempts to revolutionize a science can never be really popular" (CW41, 436). Even distinguished professors of economics have been unable to grasp the distinction and ascribe the "iron law of wages" to both Malthus and Marx (cf. Samuelson 1964, 553).

Is there anything in Marx's writings that might mislead someone into thinking that he subscribed to a wage theory based on "increasing misery"? In our examination of his developed theory we encountered no prediction of inevitably declining living standards in a material sense for employed workers, so what then serves as the pretext for foisting this view on him? It must be said, first of all, that often *no attempt* is made to find any textual justification for this claim; it is not unusual to find writers assigning paternity of one view or another to Marx without providing a single citation to support their contention.³ If we pass over the references in his earlier writings to the minimum of wages, bare subsistence, growing misery, and so forth,⁴ there are only two works that have been cited in an attempt to substantiate the "increasing misery

thesis." First, in *Value, Price, and Profit*, he suggested that "the very development of modern industry must progressively turn the scale in favour of the capitalist against the working man, and that consequently the general tendency of capitalistic production is not to raise, but to sink the average standard of wages, or to push the *value of labour* more or less to its *minimum limit*." This statement, which has been said to show that Marx foresaw declining wages, is addressed however to the *value* of labor power, which of course is not the same as real wages (the two quantities often moving in opposite directions). Moreover, critics of Marx's wage theory who cite this invariably fail to include his next sentence: that this is but "the tendency of *things* in this system," and it by no means indicates that "the working class ought to renounce their resistance" to it. If they were to abandon all efforts to uphold the value of their labor power and to oppose the despotic encroachments of capital, *then* "they would be degraded to one level mass of broken wretches past salvation" (CW20, 148).

There are also two passages in *Capital*, volume 1 which are often cited in this connection. First, there is the well-known description of the growth of a surplus population and pauperism along with the increase in capital:

The greater the social wealth, the functioning capital, the extent and energy of its growth, and, therefore, also the absolute mass of the proletariat and the productiveness of its labour, the greater is the industrial reserve army. . . . But the greater this reserve army in proportion to the active labour army, the greater is the mass of a consolidated surplus population, whose misery is in inverse ratio to its torment of labour. The more extensive, finally, the lazarus-layers of the working class, and the industrial reserve army, the greater is official pauperism. *This is the absolute general law of capitalist accumulation*. . . .

It follows therefore that in proportion as capital accumulates, the lot of the labourer, be his payment high or low, must grow worse. . . . Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation, at the opposite pole. (CW35, 638–40)

There is also this remark:

Along with the constantly diminishing number of the magnates of capital, who usurp and monopolise all advantages of this process of [concentration of capital], grows the mass of misery, oppression, slavery, degradation, exploitation. (CW35, 750)

A careful reading of these passages reveals that they have little directly to do with Marx's wage theory. The consolidation of a surplus population and the growth of pauperism ought not to be confounded with the terms by which labor power is sold (except insofar as the reserve army of unemployed acts as a counterweight to its demands). Yet this is what commentators, including experienced Marx scholars, have done. This confusion of growing pauperism with increasing misery of working people due to a *declining scale of wages* has long been pointed out, but to little effect. "The word 'pauperisation,' which means that a class of underprivileged appears, has been confounded with the idea of a deterioration of the living standards of the working class as a whole." This "is one of the gravest misinterpretations of Marx" (Kühne 1979a, 229).⁵

In *The Economic Manuscript of 1861–63* there is an earlier formulation of these passages from *Capital* that throws additional light on what Marx meant to say. He spoke of "the worker's subjective poverty," disclosing that his concern was not with the absolute level of material consumption but the worker's position in society:

[A]long with the capitalist mode of production, the pile of wealth confronting the worker grows, as *wealth ruling over him*, as *capital*, and the world of wealth expands vis-à-vis the worker as an alien and dominating world. At the opposite pole, and in the same proportion, the worker's subjective poverty, neediness and dependency develop. The *deprivation* of the worker and the *abundance* of capital correspond with each other, they keep in step. (CW34, 463)

Moreover, Marx also defined what he meant by the worker's "absolute poverty," equating it not with misery but with economic dependence:

While on the one hand political economy proclaims labour to be the source of wealth, in both its material substance and its social form, as regards both use values and exchange values, on the other hand it proclaims, just as much, the necessity for the worker to be in absolute poverty, a poverty which means nothing else than that his labour capacity is the sole remaining commodity he can sell, that he confronts objective, real wealth as mere labour capacity. (CW30, 41)

Those who interpret Marx's wage theory merely in terms of the level of subsistence have missed its essence entirely.

Comments from Engels's writings are also sometimes invoked. In his Introduction to *Dialectics of Nature*, he spoke of the "increasing misery [*steigendes Elend*] of the masses" (CW25, 331), but this rarely read work has had no bearing on the debate. More to the point, in *Anti-Dühring* he wrote of "the antagonism, sharpening from day to day, between capitalists, constantly decreasing in number but constantly growing richer, and propertyless wage-workers, whose number is constantly increasing and whose conditions, taken as a whole, are steadily deteriorating" (CW25, 139). This is the closest he ever approached the idea of "increasing misery," though it is still no basis for revising Marx's wage theory. In an article on "Trades Unions" for the *Labour Standard* (May 28, 1881), he wrote that in the early years of the century, during a period of trade crisis, "the manufacturing population of England submitted to the general law that the wages of unorganised labour constantly tend towards the absolute minimum" (CW24, 384). This statement occurs in the context of a discussion whose purpose it was to demonstrate the importance of trade unions in defending the value of labor power. He also pointed out, as did Marx, that "it is not the lowness of wages which forms the fundamental evil, but the wages system itself" (CW24, 387). In his view,

The law of wages is not upset by the struggles of Trades Unions. On the contrary, it is enforced by them. Without the means of resistance of the Trades Unions the labourer does not receive even what is his due according to the rules of the wages system. It is only with the fear of the Trades Union before his eyes that the capitalist can be made to part with the full market value of his labourer's working power. (CW24, 381)

In 1891, Engels prepared a new edition of Marx's *Wage Labour and Capital*, observing in his Introduction that, of the total produce of industry, "the part falling to the share of the working class (reckoned per head) either increases only very slowly and inconsiderably or not at all, and under certain circumstances may even fall" (CW27, 201). This could refer to the proportional division between capitalist and worker, an important index of the worker's position in society,⁶ or to the actual level of subsistence. But to find in it evidence of a Marxian "increasing misery" thesis (Meek 1962b, 431), misquoting Engels's words in the process, is careless scholarship that is typical of this debate. Moreover, in his *Critique of the Draft Social-Democratic Programme of 1891*, Engels actually argued against incorporating the simplistic notion of "increasing misery." The draft had stated: "The number and the misery of the proletariat increase continuously." To this he objected:

This is incorrect when put in such a categorical way. The organisation of the workers and their constantly growing resistance will possibly check the *increase of misery* [*dem Wachstum des Elends*] to a certain extent. However, what *certainly* does increase is the *insecurity of existence*. I should insert this. (CW27, 223)

Not falling wages but the threat of losing one's wages altogether has emerged as the worst evil facing the worker. The surplus population, moreover, dampens the struggle of employed workers for improved conditions. *This* is Marx's theory, not some caricature modeled after Lassalle. In fact, in *Capital*, volume 3, he anticipated that mass unemployment, rather than low wages, would be the spark to ignite bourgeois society:

A development of productive forces which would diminish the absolute number of labourers, i.e., enable the entire nation to accomplish its total production in a shorter time span, would cause a revolution, because it would put the bulk of the population out of the running. (Marx 1962, 258)

Eduard Bernstein is often identified as the originator of the "increasing misery" debate, but this is not entirely correct. Henryk Grossmann has shown that Marx's wage theory was confused with Lassalle's years before Bernstein's revisionism. J. Wolf, in *Sozialismus und kapitalistische Gesellschaftsordnung* (1892), argued that, according to Marx's wage theory, "the worker receives no more than the absolutely necessary physical subsistence. . . . That is what Marx deduced in his own fashion, but *ultimately not differing from the early formulations of the iron law of wages*." Schulze-Gävernitz, in *Der Großbetrieb* (1892), wrote that radical socialism "involves the inescapable proposition that the worker can on no account be better off; on the contrary, he is *irrevocably* shackled to a *bare subsistence*." Grossmann added: "We have already shown that other theorists—Simkhovitz, Sombart, Masaryk, Oppenheimer—also put forth the same conception: that is, that in view of the actual improvement in the condition of the European working class since the middle of the nineteenth century, Marx's wage theory is inconsistent with the facts and thus clearly false" (cited in Lapides 1994, 248). Brentano, even earlier, had made the same accusation.

In the early 1890s Bernstein was in London, a protégé of Engels; if he then entertained such views, he kept them to himself. In fact, it was in response to Brentano's allegations of a Marxian "iron law of wages" that in 1890–91 he wrote a series of articles for the party paper *Neue Zeit* exposing the Lassallean fallacy. And in 1891, as a result of Engels's urging and under his tutelage, he prepared a study of Lassalle for an introduction to an edition of his writings that the German party was preparing for publication, which remains one of the best critiques of his wage theory from a Marxian point of view. (If one compares Bernstein's later literary style, particularly his naïve excursions into economic theory, with Engels's characteristically lucid prose, the latter's influence and even direct participation is unmistakable in this work.) Translated into English in 1893 by Eleanor Marx, also with Engels's assistance, *Ferdinand Lassalle as a Social Reformer* is an important though neglected text. According to Bernstein,

Lassalle adduced the law of wages in capitalist production as formulated by the classical political economists, and more especially and most emphatically by Ricardo. The "iron and inexorable law, according to which, under the domination of supply and demand, the average wages of labour remain always reduced to the bare subsistence which, according to the standard of living of a nation, is necessary for the maintenance of life and the reproduction of the species." If wages periodically rose above this average, the greater number of marriages and births caused an increase of the working-class population, and with it, of the supply of labour, in consequence of which, wages again sank to their former level. If they fell below this average, emigration, greater mortality among the workers, abstinence from marriage, and fewer births, caused a diminution in the supply of labour, in consequence of which wages again went up. Thus "workers and the wages of labour circled for ever round the extreme margin of that which, according to the needs of the time, constitutes the necessary means of subsistence," and this "*never varies*."

Therefore, every attempt of the working-class to improve its condition by the individual efforts of its members, was, of necessity, condemned to failure. It was equally useless to attempt improving the condition of the workers by means of co-operative societies. . . .

The law of wages upon which Lassalle based his theory, and to which he added the name "iron," . . . presupposes an absolutely free movement of supply and demand on the labour market. But this movement is at once interfered with as soon as the working-class, as an organised body, faces the employers, or as soon as the State, by its legislation, interfered with the regulation of the conditions of labour. . . .

The really material question at issue was not raised by Lassalle until later on, and then only incidentally. The position of the working-class in modern Society is so unbearable, and compares so unfavourably with every former method of production, not because the worker receives only a fraction of the new value produced by him, but because this fractional payment is combined with the *uncertainty* of his proletarian existence. . . . The dependence of the worker has only become greater with his apparent freedom. It is this which, with iron weight, presses upon the working-class, and its pressure grows with

the growing development of Capitalism. The rate of wages, on the other hand, varies to-day with the various branches of industry, from literally starvation wages to wages which represent a certain amount of comfort. . . . The only thing constant is the tendency of capital to raise the rate of exploitation, to squeeze surplus-labour in one way or another out of the worker.

The chief fault of Lassalle's proposed remedy lay, from the very outset, in his representing as the essential cause of the misery of the working-class in the Society of to-day, that which is certainly not the characteristic feature of the modern method of production. (Bernstein [1893] 1969, 123–24, 134–36)

This is a clear repudiation of the notion that Marx's wage theory rests on an "increasing misery" thesis (similar to the note Engels struck in his criticism of the Erfurt Program draft submitted by Liebknecht).

Not long after Engels's death in 1895, however, Bernstein began to challenge the basic tenets of Marx, especially that there was a growing opposition between the working class and the bourgeoisie. He believed that the trend was rather to ameliorate the condition of the workers, and that their growing trade union strength, combined with legal protection, would allow for a gradual, peaceful transition to socialism. These ideas were expressed in various articles and in *Die Voraussetzungen des Sozialismus und die Aufgaben der Sozialdemokratie* (1899), known in its English translation as *Evolutionary Socialism*. His argument rested on the noticeable general increase of social wealth and a predicted softening of class antagonisms. He believed that capitalism had extricated itself from the recurrent cycle of expansion and contraction.

In order to break with whatever revolutionary ideology existed in the party (which was never much) and clear the way for their program of gradualism (critics would call it a naïve, opportunistic program of compromise and a recipe for disaster), Bernstein and his allies singled out for attack the notion, allegedly according to Marxian doctrine, that prospects for socialist transformation are dependent on a "catastrophic" upheaval in which the working class, pushed to the wall by "increasing misery," seizes power. This was mistaken, they said, because the "increasing misery" thesis did not correspond to reality; working people were not earning less than they had been but demonstrably more. Now, misery is certainly an indispensable element in any formula for revolution, and none of Marx's followers ever suggested that a working class which was content would make one. But "misery" can mean many things and have many causes. What was false in this debate was to ascribe to Marx a doctrine of "increasing misery" that denoted declining wages, leaving workers only a "bare subsistence." His comments in *Capital* about a growing "mass of misery" were interpreted as though *he* were the author of the "iron law of wages," with the result that his complex analysis of capitalist dynamics and the labor–capital relation (and thus any program based on it) was debased and made an easy target for critics.

In this situation, with Germany rapidly industrializing and experiencing great economic expansion, the defenders of Marx's teachings in the party rightly felt duty-bound to challenge Bernstein's faith in capitalist stability and prosperity and his illusions regarding their long-term consequences for the working class. Thus they defended in a limited way the notion of increasing misery, suggesting that Marx foresaw increasing *relative* impoverishment. While some important insights into Marx's wage theory were expressed, particularly by G. Plekhanov and Rosa Luxemburg, generally the debate proceeded on a false premise on behalf of a misguided purpose. This is one reason this controversy has proven so intractable (another, of course, is that critics of Marx have found it easier work attacking a straw man than a real one). But few theoretical advances were generated in this debate. In retrospect, we can see that Bernstein's role was really no more than that of catalyst for the inevitable clash between opposing political tendencies. The irony is, however, that the ideological heirs of Lassalle ended up asserting that the condition of the working class was not at all "hopeless," while the followers of Marx unwittingly took up the abandoned position of the "iron law," which they rechristened the "increasing misery doctrine."

Bernstein actually said little on the "immiseration" thesis itself, merely declaring it an "outworn idea that the realisation of socialism depends on an increasing narrowing of the circle of the well-to-do and an increasing misery of the poor." He thought that "the misery theory has now been given up nearly everywhere, if not with all its logical conclusions and outright, yet at least by explaining it away as much as possible" (Bernstein [1909] 1961, 175–76). As opposed to Kautsky's formulation, he denied that when Marx had spoken of an increasing "mass of misery" he had meant it in a relative sense.⁷ And regarding the

backlash that his writings provoked, he protested: "because I have not maintained the condition of the working class to be hopeless, because I acknowledge its capability of improvement and many other facts which bourgeois economists have upheld, [Plekhanov] carts me over to the 'opponents of scientific socialism'" (Bernstein [1909] 1961, 206). Yet his arguments against Marx's theory were shallow, showing little understanding of the economic analysis developed in *Capital*. But if his work from a theoretical point of view was vacuous, as a polemic it was very successful.

Plekhanov responded to *Evolutionary Socialism* in "Cant Against Kant, or Herr Bernstein's Will and Testament" (1901), writing that his "arguments contain a logical nub about which all his thoughts group themselves. That nub is the *incomes doctrine*." Bernstein having suggested that it is "not with a decrease but with an increase in social wealth that the prospects of Social-Democracy are linked," Plekhanov argued:

Neither Marx, Engels nor any of their followers ever linked their hopes with a *decrease* in social wealth. In his attempts to break *such* a "link," Herr Bernstein is simply battling against windmills. However, all Marxists have been convinced that the growth of social wealth in capitalist society goes hand in hand with the *growth of social inequality and a decline in the number of property-owners*. (Plekhanov 1976, 371–72)

Continuing, he said: "Herr Bernstein has interpreted the remarks we directed against him in the sense that we consider the worker's condition in capitalist society 'hopeless.'" But, he adds, Bernstein himself has admitted that conditions are bleak for masses of working people. Plekhanov quotes from Bernstein's book, where it even states:

"[M]illions are living in squalid dwellings, are poorly clad and undernourished despite the abundance of means to provide them with sufficient housing, food and clothing. . . . [T]here consequently exists considerable unfairness in providing the workers with occupations, as a result of which their conditions become most precarious, subjecting them to ever more humiliating dependence because of the excess of work at one place, and unemployment at another."

Plekhanov then remarks:

Indeed, is not the condition *hopeless*, in capitalist society, of a class which, despite the amazing growth of labour productivity, *remains* in the economic condition and the humiliating dependence that we read of in Herr Bernstein's writings? It is patently *hopeless*, and obviously it is only *the abolition of the capitalist mode of production, the social revolution*, that can bring the proletariat out of that hopeless condition.

However, he adds, "Marx would have considered the worker's condition in capitalist society '*hopeless*' even if a considerable improvement in that condition were possible. 'But just as little as better clothing, food and treatment, and a larger peculium, do away with the exploitation of the slave,' he says, 'so little do they set aside that of the wage-worker.'" In any event, "we have never used the word 'hopeless,' which has merely been *ascribed* to us by Herr Bernstein" (Plekhanov 1976, 375–76).

In "A Critique of Our Critics" (1901) Plekhanov discusses the evolution of Marx's wage theory showing that it embraces the notion of *relative* impoverishment, while allowing for either an increase or a decline in actual wages. In this series of articles, directed mainly against P. Struve, the Russian "Bernstein," Plekhanov was the first to point out Marx's analysis of increasing productivity as a factor leading simultaneously to both higher real wages and a fall in the value of labor power.

The price of labour power and surplus value are in inverse ratio to each other. The dearer labour power is sold, the lower the rate of surplus value, and vice versa. The interests of the *seller* of labour power are diametrically opposed to those of its *buyer*. Taken in its essence, this contradiction can neither be removed nor "blunted" until the buying and selling of labour ends, i.e., until the capitalist mode of production is eliminated. *However*, the *terms* under which the buying and selling of labour power are

effected can change in one direction or another. If they change to the advantage of the *sellers*, the price of labour power *rises* and the working class receives, in the form of wages, a greater share of the value created by its labour than before. This, in its turn, leads to an *improvement of its social position and a decrease in the distance between the exploited proletariat and the capitalists, who exploit it*. If the terms on which labour power is sold change to the advantage of its *buyers*, then its price *falls*, and the working class gets a *smaller part of the value* created by its labour *than before*. This is inevitably followed by a *deterioration in the proletariat's social position and a greater distance between it and the bourgeoisie*. (Plekhanov 1976, 514)

He observed, however, that an improvement in the condition of the working class does not remove the contradiction between it and the capitalist class, reminding readers that the improvement in the position of the French bourgeoisie only increased its antagonism toward the ancien régime.

Dismissing the argument that protective legislation has improved the overall condition of the working class, Plekhanov claims that, according to Marx's analysis, "the worker's social condition grows worse *despite* the advantages he gets from factory legislation." That is because "in *economic* terms the distance between the proletariat and the bourgeoisie has *grown*; the working class has become *relatively* poorer because its *share* of the national product has decreased relatively" (Plekhanov 1976, 548). Although critics "have attempted to prove that Marx wrote not of a relative but of an *absolute* deterioration of [the workers'] condition," *Wage Labour and Capital* shows that his was a "theory of the *relative* deterioration in the condition of the working class." He cites Marx's pamphlet, where it says: "The material position of the worker has improved, but at the cost of his social position. The social gulf that divides him from the capitalist has widened." Thus, he concludes,

Marx would not have ceased from speaking of the *impoverishment* of the working class even if an *absolute* improvement might have been observed in its condition. However, it is true that, in his analysis of the *actual* development of capitalist society as given in the booklet, Marx found that the growth of capital was far from always linked with an absolute improvement in the condition of the working class. (Plekhanov 1976, 549–50)

Observing, however, that this early work does not represent Marx's wage theory in its developed form, Plekhanov refers to *Capital* to show that Marx anticipated the possibility that, because of advancing productivity, "the price of labour power may *fall*, despite the simultaneous *increase* in the means of subsistence at the disposal of the labourer. Consequently, a distinction is here drawn between the *relative* and the *absolute* worsening in the labourer's condition." In other words, Marx advanced a "theory of the *relative* impoverishment of the working class." While indicating the factors that may depress wages, Marx "no longer affirms that a higher degree of the worker's exploitation must inevitably lead to a fall in his wages. No, in the direct and clear meaning of his finalised theory, a fall in the price of labour power, and a relative worsening in the worker's condition may be accompanied by a rise in his pay." Thus, those who point to rising wages cannot claim to have refuted Marx. Moreover, and this is often overlooked, "higher wages do not of themselves equate to an improvement in the workers' conditions" (Plekhanov 1976, 550–54).

Like Plekhanov, Rosa Luxemburg was a brilliant and original contributor to the Marxist canon. Her essay *Social Reform or Revolution*, published as a series in 1898 and 1899, is probably the most outstanding polemic against Bernstein, and has endured as a widely read statement of revolutionary Marxism. More than any of her contemporaries, she grasped that class struggle is the animating principle of Marx's wage theory. On the other hand, her treatment of his economic analysis is flawed, as may be seen in her *Accumulation of Capital*. And unlike Kautsky and Plekhanov, who argued that Marx's wage theory rested on a thesis of relative impoverishment, Luxemburg affirmed that with the development of capitalism working people would indeed see their real living standards depressed (though she also believed that the fall in relative wages was a significant factor). This conclusion derived from her own theory of non-capitalist markets and the increasing difficulty of the system as a whole in realizing surplus value.

Consequently, she showed no interest in that aspect of Marx's wage theory in which are analyzed the opposite effects of increasing productivity on real wages and the value of labor power, as we saw in Plekhanov. Thus she declared that Bernstein was wrong to deny a prediction of "increasing misery," though she did not claim that her argument was based on Marx's analysis.

In *Social Reform or Revolution* she attacked the notion, expressed by Bernstein's ally Konrad Schmidt, that trade unions together with legal reforms can progressively achieve for the working class complete control over "the conditions of production." According to Schmidt and Bernstein, capitalists will gradually lose all rights of ownership until their property is entirely taken out of their hands and administered in the interest of society as a whole. Thus the trade unions, in the normal exercise of their functions, constitute an essential element in "the progressive introduction of socialism." She argued, rather, that "the most important function" of trade unions

consists in providing the workers with a means of realizing the capitalist law of wages, that is to say, the sale of their labor-power at current market prices. Trade unions enable the proletariat at each moment to utilize the conjuncture of the market for its benefit. . . . Therefore, trade unions cannot suppress the law of wages. Under the most favorable circumstances, the best that they can do is to impose on capitalist exploitation the "normal" limit of the moment. They cannot, however, suppress exploitation itself, not even gradually. (Luxemburg 1971, 72–73)

Though she acknowledged the recent prosperity and growth of trade unionism in Germany, she drew very different conclusions from this than did Bernstein. Trade unionism, she said, "cannot spread in the unlimited way claimed for it" by him. On the contrary,

we are not moving toward an epoch marked by a victorious development of trade unions but rather toward a time when the hardships of the labor unions will increase. Once industrial development has attained its highest possible point, and capitalism has entered its descending phase on the world market, the trade-union struggle will become doubly difficult. In the first place, the objective conjuncture of the market will be less favorable to the sellers of labor-power because the demand for labor-power will increase at a slower rate, and the labor supply [increase] more rapidly, than is at present the case. In the second place, in order to make up for losses suffered on the world market, the capitalists themselves will make even greater efforts than at present to reduce the part of the total product going to the workers. Is the reduction of wages not one of the principal means of retarding the fall of profit? (Luxemburg 1971, 75)

Bernstein had argued that the trade unions could by their struggles appropriate more and more of the surplus product, raising wages at the expense of profits. Luxemburg regarded this as a pipe dream, declaring that this struggle "is not fought out in the blue sky but within the well-defined framework of the law of wages. The law of wages is not shattered but applied." While Bernstein thought that the unions could lead an offensive "against the rate of industrial profit, transforming it gradually into the rate of wages," this was impossible because the unions are only "the organized *defense* of labor-power against the attacks of profit." They can do no more than this because labor is always at a disadvantage. First, because the labor market is flooded by displaced peasants, shopkeepers, and artisans. Second, the gains in productivity of labor bring about a lower price of labor power.

Thus, the objective conditions of capitalist society transform the two major functions of the trade-union struggle [restricting the labor market and raising labor's share of the total product] into a sort of labor of Sisyphus. This labor of Sisyphus is, nevertheless, indispensable if the worker is to obtain the rate of wages due him in accordance with the situation of the market, if the capitalist law of wages is to be realized and the effect of the depressing tendency of economic development paralyzed—or, to be more exact, attenuated. (Luxemburg 1971, 105–6)

Finally, Luxemburg attacked Bernstein for wanting to focus the class struggle entirely on the question of the system of distribution, rather than of production. By his fanciful preoccupation with the relation of wages to profits, "he renounces the struggle against the *capitalist mode of production* and attempts to

direct the socialist movement to struggle against *capitalist distribution*." Socialism, he says, is an effort toward a "just" system of distribution. Yet "Social Democracy," she counters, "wants to establish *socialist distribution* by eliminating the *capitalist mode of production*. Bernstein's method, precisely on the contrary, proposes to combat *capitalist distribution* in the hope of thereby gradually establishing the *socialist mode of production*" (Luxemburg 1971, 106–7).

Thus were the principal approaches to the "increasing misery" question first staked out: that Marx's wage theory is wrong because "increasing misery" has not occurred; that Marx's theory allows for the possibility of increasing real wages, predicting only *relative* impoverishment, and thus correctly describes the condition of the working class; and that the "increasing misery doctrine" is a correct and fundamental component of Marxism, because as the contradictions of capitalism mature the working class is subjected to the tendency of real impoverishment with ever greater force. Each of these positions has over the past century been expanded on, modified, and criticized by countless commentators.

Consequently, the literature on this controversy is immense, and it would be impossible here to present every single point of view that has been expressed regarding it. In general, it is fair to say that the "increasing misery" doctrine "has been a red herring in the interpretation of Marx's work" (Kühne 1979a, 226). We conclude, therefore, simply with the following observation, often overlooked in the heat of this debate:

We also want to call attention here to the fact that the learned Marx critics who insist that by accumulation of misery as one of the tendencies of capitalistic accumulation, Marx meant the accumulation of poverty, and then try to disprove such tendency by pointing to the supposed ameliorated condition of the working class, fail to take into account the fact that whatever amelioration there is was brought about by the struggles of organized labor, which Marx also predicted. The present condition of the working class is not merely the result of the *tendencies* of capitalistic accumulation, but of the tendencies of capitalistic accumulation *as modified by the struggle of organized labor against them*. (Boudin 1907, 228)

NOTES

1. The writers who have most effectively exposed the fallacy that Marx's wage theory rests on an "increasing misery" thesis are Baumol (1979, 1983, 1991), Boudin (1907), Dobb (1957), Kühne (1979a) Mandel (1970, 1971, 1978), Rosdolsky (1977), and Sowell (1960). Hal Draper also indicated his intention to expose the "immiseration" myth, but did not get to carry this out before his death in 1990.

2. Lest any error be imputed to Kühne, be it noted that Marx does not speak here of *Verelendung* but of *progressives Elend*. The distinction may be immaterial, but if this is the first occasion on which Marx writes of "increasing misery," it is also the last.

3. Kühne observes that "many authors who believe they are analysing the theories of Marx do not themselves resort to the original texts but rely on certain standardised formulations produced by others" (Kühne 1979a, 42). Sowell also found that "Much of the modern economic literature . . . sidesteps the whole problem of interpretation by taking what is commonly believed about Marxian economics as a starting point, and then elaborately analyzes and critiques the implications of these 'Marxian' doctrines—often without a single reference to anything actually written by Karl Marx" (Sowell 1985, 13).

4. It is characteristic of this debate that critics frequently base their interpretation of Marx's wage theory on comments made in his early writings.

5. Rosa Luxemburg would have contested this, arguing in her *Einführung in die Nationalökonomie*: "In any discussion of capitalist wage relations it is completely false to consider only the wages actually paid to the employed industrial workers," excluding the reserve army of the unemployed (Luxemburg 1951b, 724).

6. Marx wrote: "If the extremes of poverty have not lessened, they have increased, because the extremes of wealth have" (CW35, 646).

7. Kautsky had argued that Marx advanced a thesis of increasing *relative* misery in his *Bernstein und das sozialdemokratische Programm* (1899). His earlier work, *The Economic Doctrines of Karl Marx*

(1891), gave an account of Marx's wage theory that, in its plodding, doctrinaire way, took little notice of the workers' struggle.

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Appendix¹

Marx's Doctrine of Wage Labor

Does *Capital* represent Marx's complete project for a "critique of political economy" (even if left in an unfinished state), or is it only the first part of another, projected work on a much larger scale? This question has been debated since 1913 when Robert Wilbrandt first suggested (in his book *Karl Marx*) that the three volumes of *Capital* (plus *Theories of Surplus-Value*) are only a "fragment" of a vast work that Marx had planned but never written. In challenging a deep-seated belief in the finality of *Capital*, Wilbrandt did not win many adherents; though later Maximilien Rubel was attracted to his position, and, more recently, Michael Lebowitz. Ridicule however was the reaction to Wilbrandt's hypothesis from Henryk Grossmann in his 1929 article on the changes in Marx's plan of work. Grossmann's conclusion, if not always his reasoning, that *Capital* is essentially complete is accepted, I believe, by most students of Marx's economics.

Interest in this question was revived when a brief history of the debate, featuring an extended extract from Grossmann's paper, appeared in *Science & Society* (Lapides 1992). This article, which was criticized by Lebowitz (Lebowitz 1993) on grounds that I have since argued were spurious (Lapides 2001), also inquired about the larger implications of this discussion. However, while agreeing that "these are indeed important questions," Lebowitz thought it "rather premature to pose them" until further study was carried out (Lebowitz 1993, 66). I think though that we need not wait any longer to examine the evidence and decide: What is this debate really all about, and why does it matter?

I begin with the fact that Marx never published, nor left in manuscript, a full-scale work devoted to a comprehensive, systematic examination of the working-class movement, its economic foundation and its political significance: in short, a doctrine of wage labor. This has led to some confusion concerning his views in this area.

Such a work, had Marx written it, would include a substantiation of the economic basis of the workers' movement—a theoretical examination of the necessity for, and feasibility of, the struggle over wages and hours. And it would include a discussion of the strategies pursued and the tactics employed by workers not only in this struggle within the wage-relation but also in the one meant to break out of it altogether. It would examine, in other words, the possibilities inherent in this relation for both reform and revolutionary transformation.

In this debate over the plan for writing *Capital*, then, the essence of our disagreement is whether or not Marx produced just such a theory. Is there a Marxian doctrine of wage labor, or, as alleged by Lebowitz, is it "missing"?

Lebowitz has argued that Marx's entire doctrine is defective and his legacy diminished by his failure to produce a book on wage labor in addition to *Capital*. Because of this so-called missing book he believes that we are left with "a theory not entirely successful" (Lebowitz 1992, 6). He writes,

"*Capital* is one-sided and inadequate precisely because the worker is not present as the subject who acts for himself against capital. . . . It is only with the development of the side of wage-labour, the side absent from *Capital*, that we have an adequate basis for considering the struggle of workers to realise their own goals" (57).

Lebowitz claims that *Capital* fails to address "the theoretical basis for class struggle *from the side of the worker*" (66) and thus is "incomplete and inadequate" (34), "deficient" (35), and "seriously flawed" (88). Nor does it provide a basis on which to "challenge capital," offering only "determinism, economism and one-sided concepts which bear little relation to the real movements in society" (103). Moreover, Marx's theory of the value of labor power "is, on its face, an absurd argument" (89), "a teleological absurdity" (90), "wrong" (92), and "a tautology" (95).

While attacking *Capital's* "inadequacy," Lebowitz does not look "beyond" it to the rest of Marx's *oeuvre* when judging his doctrine as a whole. This seems not only unreasonable but inconsistent with his own claim that the "book on wage labor" is not really the issue: "what matters is the existence and significance of a missing treatment (however designated) of wage-labor" (Lebowitz 1993, 67). Does he mean to suggest that nowhere in Marx's work is wage-labor adequately addressed?

Lebowitz describes himself as "an 'orthodox' Marxist," only "orthodox in the sense . . . [of] a focus on the method and approach of Marx rather than the worship of a sacred text or holy passage" (Lebowitz 1992, 1). But if "method," not "text," is primary, why does he not apply that method to fill in the gaps he claims to find in Marx's theory rather than attach supreme importance to a non-existent, hypothetical "text"? However, he quickly drops the pretense of devotion to Marx's method and, incredibly, holds his theory responsible for the failures of the working-class movement, while condemning it as irrelevant to struggles for emancipation:

"Not only the absence of socialist revolution and the continued hegemony of capital over workers in advanced capitalist countries, but also the theoretical silence (and practical irrelevance) with respect to struggles for emancipation, struggles over the quality of life and cultural identity — all these point to a theory not entirely successful" [emphasis in the original] (6).

I believe this to be profoundly misguided, and have argued in opposition that Marx did produce an elaborate theoretical structure in which wage labor is comprehensively and effectively analyzed, even if it is not to be found entirely between the covers of a single work. *Capital* of course contains an extensive discussion of wages and wage labor in which the workers' economic struggle is validated, principally in Volume I but also in the preparatory manuscripts.² His other writings too provide a wealth of material exploring the many facets of the working-class struggle. Lenin believed that they contain "the program and tactics of the economic struggle and of the trade-union movement" (Lenin 1970, 288). The writings of Engels, especially his *Condition of the Working Class in England*, also contribute greatly to our understanding of that struggle. "Engels was the *first* to say that the proletariat is *not only* a suffering class; that it is, in fact, the disgraceful economic condition of the proletariat that drives it irresistibly forward and compels it to fight for its ultimate emancipation" (Lenin 1971, 10). This too is part of the Marxian legacy.

The fact remains that there is no single, systematic treatment of the question, and this prompted one writer to propose that a book be written on "the meaning and practical importance of Marx's teachings on the trade unions" (Braun 1914, 51). Lenin noted that while there is an "immense amount of material" in Marx's writings dealing with "the tactical problems of the proletariat's class struggle," in both its economic and its political aspects, it was "still far from having been brought together, collected, examined and studied." This was important because the "tactics of the economic struggle, in connection with the general course (*and outcome*) of the working-class movement, are considered here from a remarkably broad, comprehensive, dialectical, and genuinely revolutionary standpoint" (Lenin 1970, 287, 289).

Several attempts were subsequently made to present Marx's theory. In 1918 Hermann Müller published *Karl Marx und die Gewerkschaften*, while in 1922 Nelli Auerbach's *Marx und die Gewerkschaften* appeared. Auerbach's book was the first work to present Marx's theory of trade unionism in its general outline and the first to affirm its revolutionary character. In 1933 A. Lozovsky published *Marx and the Trade Unions*, appearing in 1935 in English translation. Still, as Richard Hyman observed a "comprehensive analysis and critique of the writings of Marx and Engels on trade unionism has yet to be published" (Hyman 1971, 4n). In 1976 a work approaching this description did appear: *Der Doppelcharakter der Gewerkschaften: Zur Aktualität der Marxschen Gewerkschaftstheorie* by Rainer Zoll. And there have been several shorter treatments of the subject.

The importance of assembling Marx's writings on the labor movement was also recognized, and this was accomplished for the first time in 1928 when several major texts were published in *Karl Marx und die Gewerkschaften: Aufsätze und Dokumente von Karl Marx* edited by Friedrich Hertneck. A more substantial edition was published in 1953, *Über die Gewerkschaften*, under the auspices of the Marx-

Engels-Lenin-Stalin Institute of the GDR. The first complete collection appeared in 1987, *Marx and Engels on the Trade Unions*, edited by this writer. There is also a large body of scholarship exploring other aspects of Marx's relationship to the working-class movement, such as his involvement with the International Workingmen's Association. None of this research however was consulted by Lebowitz when he formulated the thesis that Marx failed to provide a theoretical foundation for "the struggle of workers to realise their own goals" (Lebowitz 1992, 57).

Rather, he adopted Maximilien Rubel's notion of a "missing book," even though Rubel "failed to prove his case" (Lebowitz 1992, 14); he adopted Cornelius Castoriadis's notion of *Capital's* "one-sidedness," although Castoriadis broke with Marxism and thought that *Capital* was "built on sand" (8); and he adopted E. P. Thompson's notion of the "silences of Marx," although Thompson thought that Marx was "trapped" by Political Economy and "sucked into a theoretical whirlpool" (8). He even resurrected the allegation that Marx "underestimated the ability of workers" to win concessions from capital (75), a staple among critics during the Cold War years.

Lebowitz's thesis is false, I believe. How deeply mistaken it is becomes apparent when Marx's actual doctrine is examined. Let it be said first that I too consider Marx's method to be essential and the best starting-point for our inquiry. Because of that method Marx understood early on that the labor movement would "present phases never before seen in history" (from *New York Daily Tribune*, August 1, 1854; cited in Lapidès 1987, 56), and rather than attempt to define its future course and write prescriptions for the unknowable he allowed his own analysis to evolve alongside it.

Thus, in Marx's and Engels's trade-union writings, a trove of fifty years of observation and analysis, both their theory and the workers' movement can be seen in their development from infancy to maturity. These writings "clearly establish that the founders of Marxism in no way failed to produce a complete and unambiguous theory of trade unionism" (Lapidès 1987, x). They disprove the allegation that Marx failed to provide theoretical or programmatic guidance for the economic and political struggle of the working class.

One of Marx's greatest achievements was to substantiate theoretically the workers' wage struggle. By refuting the wage-fund doctrine and formulating his own theory of wages he made it possible for the labor movement to emancipate itself intellectually from the rule of political economy, i.e., the rule of capital. In the 1840s when Marx came on the scene the level of wages was a critical issue facing the working class, and labor was under ideological assault particularly on this question. The workers' legal and political repression was routinely justified by "the Laws of Political Economy," especially the wage-fund dogma. His intervention in the wage-fund debate, though long unrecognized, is one of his finest achievements.

Also, by emphasizing the historical and social dimension to the value of labor power and showing how this is linked to the workers' struggle, he made it for the first time an active principle of wage determination, teaching "workers that the value of their labor power lay to a certain extent in their own hands" (Lapidès 1998, 177).

In addition, Marx (along with Engels) made pioneering contributions on a number of other issues, such as the workers' struggle for an eight-hour day;³ the relation between technology and the working class; the origins and influence of the labor aristocracy; syndicalism and the general strike; the importance of unions for agricultural workers; the role of women in industry; and the need for international working-class solidarity (it was Marx's direct influence that made the I.W.A. into an effective organization).

Beyond these specific questions Marx also developed a general theory of trade unions, in which he tried to instill in the working class a consciousness of its role in history—its (involuntary) part in capitalist development, its struggles within and against that relation, and its revolutionary agency in helping humanity achieve its socialist destiny through its own self-emancipation. Unlike other thinkers who espoused a "one-sided" view of the labor movement, Marx developed three principal lines of analysis.

First, he affirmed that trade unions are an inevitable and necessary outcome of the rise of industry, giving workers at least elementary protection from the worst forms of capitalist tyranny.⁴ Second, he explained how their economic struggle was a prerequisite for any political struggle they might wage. The

trade unions gave the workers organization and the basis for class consciousness: the "continual conflicts between masters and men," he wrote, are "the indispensable means of holding up the spirit of the laboring classes, of combining them into one great association against the encroachments of the ruling class, and of preventing them from becoming apathetic, thoughtless, more or less well-fed instruments of production" (from *New York Daily Tribune*, July 1, 1853; cited in Lapidès 1987, 43).

Finally, he maintained that trade unions and strike struggles are by themselves insufficient to remedy in any fundamental way the workers' distress, that so long as the labor-capital relation is undisturbed the working class will never be free. "By elucidating along these lines the relationship between the political and the economic forms of the class struggle, Marx and Engels laid the theoretical foundations without which a mass socialist movement would have been impossible" (Lapidès 1987, xiv).

Fundamental to this analysis is Marx's revolution in wage theory, though the importance of this part of his doctrine has not always been clear.

"Spurious debate and sterile controversy have dominated most discussion of it, while a comprehensive treatment of its structure, development, origins, and implications has been neglected. Its importance for the working-class movement, however, as for an understanding of Marx's overall analysis of capitalism, cannot be overestimated. As Engels said, he 'developed the first rational theory of wages we have'" (Lapidès 1998, 6).

The range of wage-related issues that he examined and the penetration of his analysis surpass anything previously attempted—from the relation between capital accumulation and employment levels to the effects of productivity growth on wages.⁵ "What emerges most clearly" from a reading of *Capital* "is that Marx did successfully create a dynamic, complex, and comprehensive theory of wages and wage labor that explains and predicts the various wage phenomena as well as the fundamental tendencies of the labor-capital relation," a theory moreover in which "class struggle is the animating principle" (Lapidès 1998, 207, 254).

Marx distinguished for the first time between the phenomenal aspects of wage-labor and its hidden, essential features. He said it was one of the "fundamentally new elements" of *Capital* that "wages are shown as the irrational outward form of a hidden relationship" (letter to Engels, January 8, 1868; cited in Lapidès 1998, 229). These two realms are reflected in the distinction he made between a "theory of wages" and a "theory of wage labor," a distinction whose implications have yet to be fully explored.

His analysis unlocked the secret of surplus value, revealing the capital-relation to be essentially a "*relation of compulsion*" whose object is to "extract surplus labour" (Marx and Engels 1994, 426). This gave working people the most powerful weapon possible in their struggle against capital: an understanding of the economic basis of their slavery and the requisites for their emancipation.

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1 The following text originally appeared in *Science & Society*, Vol. 66, No. 2 (Summer 2002), and is reprinted here by permission.

2 Engels's biographical essay, "Karl Marx," written in 1877, makes it clear that Marx regarded Capital as the complete expression of his economic doctrine.

3 Even on this question, widely recognized as one of Marx's most important contributions to the working-class movement, Lebowitz disparages his achievement. What Marx accomplished as theorist, historian, and organizer of the legal eight-hour day is unparalleled. Yet Lebowitz is dissatisfied: he complains that Capital fails to offer "a theoretical exploration of the inherent tendency of workers to struggle for a reduction of the work-day" (Lebowitz 1992, 65).

4 Marx took pride in the fact that "when all the political economists and all the Socialists concurred on the one single point—the condemnation of Trade-Unions, I demonstrated their historical necessity" (letter to Ludlow, April 10, 1869; cited in Lapidés 1987, 112). Lebowitz argues however that Marx exhibited "subservience to capital's concept" and "subjection to the premises of political economy" (Lebowitz 1992, 100, 89).

5 He showed how rising real wages can be consistent with a falling value of labor power, thus providing "the theoretical formula which lies at the heart of the increases in real wages which have largely taken place in the latter half of the nineteenth century and in the twentieth century" (Rosdolsky 1980, 289n).

Marx “developed the first rational theory of wages we have.”

—Frederick Engels

Marx's Wage Theory in Historical Perspective

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Kenneth Lapides is the editor of *Marx and Engels on the Trade Unions* (1987), the first complete collection of Marx’s and Engels’s writings on the subject.

Front cover: Newport News (Va.) Shipyard strike, 1979

Photograph by author