A. Leontiev

POLITICAL ECONOMY - A Beginner's Course

First published 1936, reprinted 1940.

Chapter 3 – Commodity Production

Commodity Production

Capitalist production has two important distinguishing features. First, under capitalism commodity production prevails. Secondly, not only the product of human labour, but labour power itself becomes a commodity.

Capitalism is inconceivable without commodity production. On the other hand, commodity production existed long before the rise and development of capitalism. However, it was only under capitalism that commodity production became universal.

Therefore, in order to study the capitalist method of production, it is necessary first to study commodity production, its peculiarities and laws.

In capitalist countries production is carried on without a plan. All the factories and plants belong to the capitalists. Every one of these enterprises produces *commodities* for sale on the market. But no one tells the capitalist what commodities or what quantities of them his enterprise must produce. The owner of the plant or factory may increase or decrease production, or altogether close his place, as he wishes. The capitalists do not care whether the population has the necessities of life: food, clothing, etc. Every plant or factory owner thinks about only one thing: how to get more profit. If an undertaking seems profitable to him he regards it with great eagerness. If there is no profit in sight he will not trouble with it.

Such a system, where production is entirely in the hands of capitalists who manage production with the sole interest of extracting as much profit for themselves as possible by exploiting the toiling masses, exists at the present time all over the world, except in the Soviet Union where the government is in the hands of the working class and where there is planned economy.

Under capitalism anarchy of production prevails; there is and can be no planned management of social production.

> "Capital organises and regulates the labour within the factory for the further oppression of the worker, in order to in crease its own profit. But in social production as a whole, chaos remains and grows greater, bringing on crises when the accumulated wealth finds no purchasers and millions of workers perish or go hungry, not finding work." [Lenin, Collected Works, Vol. XVII, "The Taylor System - Enslavement of Man by Machinery," p. 248, Russian ed.]

We must now try to understand the subtle mechanism which distinguishes the anarchy of production prevailing under capitalism. In capitalist society commodity production prevails. Suppose a factory belonging to a capitalist produces castor oil. Does it mean that the owner drinks all the castor oil himself? Or a capitalist shop produces coffins on a mass scale; it *is* clear that the coffins are not for the owner. Tremendous plants produce great quantities of steel and iron; it is clear that the owner does not want the metal for him self. All the various products manufactured in capitalist enterprises are produced for sale, for the market. All products of labour manufactured for sale and not for one's own use are called *commodities.*

We have already seen that commodity production only gradually undermines and destroys the previous natural economy under which every family or commune produced by themselves everything they needed. The system of natural economy existed for ages. The previous, pre-capitalist forms of exploitation - slavery and feudalism - existed side by side with the prevailing system of natural economy. Not so capitalism. This system is from its very inception bound up with the development of exchange, the development of commodity production.

> "The wealth of those societies in which the capitalist mode of production prevails presents itself as an immense accumulation of commodities, its unit being a

> single commodity," [Marx, *Capital,* Vol. I, p. 1, Swan, Sonnenschein & Co., Ltd., 1908.]

With these words Marx's chief work, *Capital,* begins. In this work Marx set himself the aim of discovering the economic laws governing capitalist society. Marx begins his work with an analysis of the commodity, with the disclosure of the laws governing UK production of commodities.

The product of human labour must always satisfy some human want, otherwise it would not be worth expending labour on it. This property of every product of labour is called its use value The use value of a clock, for instance, is that it tells us the time. Many things that are not at all the product of human labour have a use value, like water at its source, for instance, or fruit growing wild. Use value is met with in both natural production and commodity production. The grain the peasant raises for his own use satisfies his need for food. Grain therefore has a use value.

But the grain which a peasant in a capitalist country produces for sale becomes, as we have seen, a commodity. This grain continues to possess use value because it satisfies the human need for food; but if it should lose this property for some reason (if it should rot, for instance, and become unfit for use), no one would buy it.

At the same time this grain acquires another important property. This grain has become a commodity; it can be exchanged for any other commodity. What strikes one here first is that a commodity has the property of being exchangeable, that it is exchanged for a number of other commodities.

This new feature of a product, which it acquires when it becomes a commodity, *i.e.,* when it is produced for exchange, plays an enormous role in commodity economy.

> "A commodity is, firstly, something that satisfies a human need; and, secondly, it is something that is exchanged for something else. The utility of a thing gives it *use value.* Exchange value (or simply, value) presents itself first of all as the proportion, the ratio, in which a certain number of use values of one kind are exchanged for a certain number of use values of another kind. Daily experience shows us by millions upon millions of such exchanges that all and sundry use values, in themselves very different and not comparable with one another, are equated to one another." [Lenin, *Marx-Engels-Marxism,* "Karl Marx," p. 15].

Between the use value and the value of a commodity there is a *contradiction.* To its producer a commodity is of no use value, it has use value for others. On the other hand, to. the purchaser of a commodity for use the commodity has just a use value, and to him the commodity is no longer a value. When the producer exchanges his commodity he gets its value in return, but he can no longer utilise the use value of the commodity as the latter is already in someone else's hands. A commodity is a product made hot for immediate use but for sale on the market. A commodity is thus the agent of a definite social connection. It is the agent of the connection existing between the producer of the commodity and society as a whole. The connection is, however, not a direct one. Society does not tell each producer just what and how much to produce. Under commodity production there is not nor can there be planned, conscious guidance of the entire process of production in society.

Upon what does the value of a commodity depend? Some commodities are dear, others cheap. What is the reason for this difference in value? Use values of commodities differ so widely that they cannot be compared quantitatively. For example, what is there in common in the use value of pig iron and roast beef? Consequently we must look for the secret of value not in use value but in something else. Marx says:

> "If then we leave out of consideration the use value of commodities, they have only one common property left, that of being products of labour." [Marx, *Capital,* Vol. I, p4.].

The value of a commodity is determined by the amount of human labour expended in its production.

So long as exchange is infrequent, products are exchanged in accidental ratios. When a primitive hunter met a member of an agricultural tribe or commune and exchanged some meal, for grain The ratio was determined by accidental circumstances. But things changed radically, parallel with the development of exchange.

With the destruction of natural economy, the ratio of exchange came continually closer to the amount of labour spent on the object exchanged. When under simple commodity production a peasant exchanges some grain for an axe made by an artisan he gives the latter an amount of grain which represents approximately the same amount of labour as that spent in making the axe.

Here is how Engels pictures the exchange of commodities according to their values under conditions of simple commodity production before the rise of capitalism:

> "The peasant of the Middle Ages therefore knew fairly accurately the labour time requisite for producing the things he obtained by exchange. The blacksmith and waggoner worked in his sight, as did the tailor and shoemaker who, in my own youth, went from hut to hut among our Rhenish peasants making clothes and shoes from home-made cloth and leather. Both the peasant and also those he purchased from were themselves labourers: the articles exchanged were the products of their own labour. What did they expend to produce these objects? Labour and only labour; for the replacement of working tools, for the production of raw material and for its working up they expended nothing but their own labour power; how could they then exchange these products of theirs for those of other workers otherwise than in proportion to the labour expended on them? Not only was the labour time expended on these products the sole appropriate measure for the quantitative determination of the magnitudes involved in the exchange, but any other measure was altogether unthinkable. Or does anyone believe that the peasant and the artisan were so foolish as to exchange a thing that took ten hours' labour for something that took only one labour hour? For the entire period of peasant natural economy no other exchange is possible than that in which the quantities of commodities exchanged tended more and more to be measured by the amount of labour incorporated in them. . . .
>
> "The same is true of the exchange of peasant products for those of city artisans. At first this takes place directly, without the intermediation of the merchant, on market days in the towns where the peasant sells his products and makes his purchases. Here also the peasant knows not only the conditions under which the artisan works but the latter knows also the conditions of peasant labour. For he is himself still a peasant to a certain extent, he not only has a kitchen garden and an orchard, but frequently also a strip of arable land, one or two cows, pigs, poultry, etc." [Engels, Supplement *(Nachtrag)* to Vol. III of *Capital*.]

A number of self-evident facts confirm the truth that commodities are exchanged according to the labour incorporated in them. Very many commodities which were once very dear become fairly cheap, because with modern technical development less labour is required to produce them. Thus, for instance, aluminium, from which kitchenware and a number of other things are now manufactured, was a few decades ago eight or ten times as expensive as silver. It cost about $225 a kilogram then. But with the development of electrotechnical science it became possible to produce aluminium with much less labour, so that before the war the price fell almost to 27 cents a kilogram, a thousand times cheaper. It became so cheap only because so much less labour is now required to produce it.

Thus the value of a commodity depends upon *the amount of labour spent in producing it.* If we produce a greater quantity of commodities with the same amount of labour, we speak of the increased productivity of labour; on the other hand, when less is produced, we speak of a decrease in productivity. It is self-evident that increased labour productivity means a *decrease* in the amount of labour that must be spent in order to produce a single one of the given commodities. As a result there will be a decrease in the value, each commodity of this particular kind will be cheaper. A decrease in productivity would, on the contrary, bring about dearer commodities. It is therefore said that productivity of labour and tin-value of each unit of the commodities produced are in inverse pro portion (i.e., when one rises the other falls, and *vice versa).* That is why Marx says,

> "The value of a commodity . . . varies . . . inversely as the productiveness of the labour incorporated in it." [Marx, *Capital,* Vol. I, p. 7.]

The value of a commodity is given to it by the labour spent in producing it. The value of a commodity is nothing but a definite quantity of labour lime congealed (or incorporated) in the commodity. But value only manifests itself when one commodity is compared with another. Let us assume that the same amount of labour is incorporated in one ton of iron as in one kilogram of silver. Then a ton of iron will be equal in value to a kilogram of silver. The value of a commodity expressed in comparison with the value of another commodity is its exchange value. Exchange value is the form in which value shows itself. At the same time it must be clearly remembered that in this form we have only the value representing the labour time incorporated in the commodity.

Under developed commodity production when commodities are exchanged by means of money, every commodity is compared with a definite sum of money. The value of the commodity is expressed in terms of money. Exchange value becomes the price of the commodity. *Price* *is only the value of a commodity expressed in terms of money.*

In order to understand the contradiction inherent in commodities it is necessary to observe the peculiarities of the labour which produces commodities. In exchanging commodities people com pare the most varied kinds of labour. The labour of a cobbler differs very much from the labour of a foundryman. The labour of a miner resembles the labour of a tailor very little. Every single commodity contains the labour of some particular profession or some particular branch of industry. What is common to all commodities is human labour in general, or, as it is sometimes expressed, abstract human labour as distinguished from the concrete *(i.e.,* specific) labour of each separate branch of production.

> "All the labour power of a given society, represented in the sum total of values of all commodities, is one and the same human labour power. Millions and millions of exchange transactions prove this." [Lenin, *Marx, Engels, Marxism,* "Karl Marx," p. 16].

Every particular commodity represents only a definite .part of this general human labour. Concrete labour produces use value. The concrete labour of the cobbler produces boots, the concrete labour of the miner - coal. The value of these commodities, -however, expresses simply human labour, the expenditures of human labour in general under commodity production.

> "On the one hand all labour is, speaking physiologically, an expenditure of human labour power, and in its character of identical abstract human labour, it creates and forms the value of commodities. On the other hand, all labour is the expenditure of human labour power in a special form and with a definite aim, and in this, its diameter of concrete, useful labour, it produces use values." [Marx, *Capital,* Vol. I, p. 14.]

The same labour is both concrete and abstract in commodity production: it is concrete in so far as it produces use value, and abstract in so far as it produces value. On the one hand, every producer produces definite use values, say, boots, coal, cloth, etc. This represents the concrete labour of the cobbler, the miner, the weaver, etc. But on the other hand, the same cobbler, miner and weaver produce the value of the boots, coal, cloth. They produce these not for their own immediate use, but for exchange on the market.. They produce boots, coal, cloth, as commodities possessing value. And value is produced by abstract, universal, human labour.

From the very beginning commodities reveal their dual nature: as use value and value. We now see that labour also, the labour embodied in these commodities, the labour applied in capitalist production, has a dual character.

The difference between concrete and abstract labour appears in the contradiction between use value and value. Use value is the result of concrete labour, whereas value is the result of abstract labour.

It is perfectly evident that this division of labour into concrete and abstract labour exists only in *commodity production.* This dual nature of labour reveals the basic contradiction of commodity production. In commodity production all the work of an individual member of society becomes, on the one hand, a particle of the entire mass of social labour and, on the other hand, it is the particular work, the individual labour of different, separate workers.

It is clear, therefore, that the contradiction between abstract and concrete labour arises only with commodity production and vanishes as soon as commodity production disappears.

> "A man who produces an article for his own immediate use, to consume it himself, creates a *product,* but not a *commodity.* As a self-sustaining producer he has nothing to do with society. But to produce a *commodity,* a man must not only produce an article satisfying some *social* want, but his labour itself must form part and parcel of the total sum of labour expended by society. It must be subordinate to the *division of labour within society.* It is nothing without the other division of labour, and on its part is required to *integrate* them." [Marx, *Value, Price and Profit,* p. 38, Moscow, 1933].

In commodity economy the work of each separate worker represents only a particle of social labour as a whole. The work of each weaver, miner or mechanic becomes part of the general chain of social production. Each separate work constitutes only one of the links in this chain. But at the same time, each separate work in commodity production is *independent.* The labour of individuals becomes social, in the sense that each producer is connected with thousands of others in his work. But the labour of separate individuals is not coordinated on an all-social scale. Quite the contrary, the labour of individual workers is separate, scattered.

"The production of commodities is a system of social relationships in which different producers produce various products (the social division of labour), and in which all these products are equated to one another in exchange." [Lenin, *Marx-Engels-Marxism,* "Karl Marx," p. 10]. This contradiction, consisting in the social nature of the individual labour of independent producers, arises with commodity production and disappears with it.

In natural economy this contradiction does not exist. Let us imagine a secluded peasant economy in some far away, isolated corner of the world. This economy is almost completely cut off from the rest of the world; everything needed is produced on the farm. Labour here is not a portion of the labour of society as a whole, labour here is of a distinctly separate and individual nature.

Hence the contradiction characteristic of commodity production does not exist here. However, if we take social society, the inter dependence of the labour of individual members of society is even greater in comparison with capitalism, but here also the contradiction of commodity production does not exist: the labour of each worker has become social, has become an organized part of the general labour. The separate, scattered character of the labour of each worker has disappeared. The fruit of the labour of all becomes the property of society as a whole and not of individual owners.

If the value of a commodity is determined by the quantity of labour expended upon its production, it might seem that the lazier or the more unskilful a man, the more valuable his commodity.

Suppose there are two cobblers working side by side. One is a fast, efficient worker and makes a pair of boots in a day. The other is a lazy drunkard and it takes him a week to finish one pair of boots. Does it mean that the boots of the second cobbler have more value than those of the first? Of course not. When we say that the value of a commodity is determined by the quantity of labour expended upon its production, or the labour crystallised in it, we have in mind the labour time that, as Marx says, is "... required to produce an article under the normal conditions of production and with the average degree of skill and intensity prevalent at the time. The introduction of power looms into England probably reduced by one-half the labour required to weave a given quantity of yarn into cloth." [Marx, *Capital,*,Vol. I, p. 6]. The hand loom weaver now had to work eighteen or twenty hours a day instead of the nine or ten hours he had worked previously. Nevertheless, the product of his twenty hours of labour now represented only ten hours of social labour, or ten hours of labour socially necessary to convert the given amount of yarn into cloth. Hence the product upon which he spent twenty hours had no more value than the product of ten hours had previously. It thus appears that the value of a commodity depends, not upon the labour which in each separate instance was expended upon its production, but upon the labour which is required on the average for its production, or, as it is expressed, upon the social average or the socially necessary labour.

We must also distinguish between simple labour and skilled labour. Let us take a mason and a watchmaker. An hour of labour of the mason cannot be equal to an hour of labour of the watchmaker. Why? To learn the trade of mason one does not have to spend much time in preparatory training. It is a simple labour, easily learned. Anyone can easily become a mason (or, say, a common labourer). A watchmaker (or a chemist) is a different matter. In order to become a watchmaker one must spend, say, about three years in learning the trade. If the future watchmaker decides to spend a long time in learning the trade, it is only because he expects to get paid for this later. How? In that for a watch, upon the making of which he spent twenty hours, he gels on the market commodities produced by simple or unskilled labour in, say, thirty hours. In such a case one hour of skilled (or, as it is sometimes called, complex) labour is equal on the market to one and a half hours of simple labour.

What would happen if no difference were made in exchange between an hour of simple and an hour of skilled labour? Then the supply of skilled labour would be considerably curtailed. Watchmakers, chemists and other such skilled people would become fewer and fewer. Hence there would be fewer and fewer watches, chemicals, etc., on the market, and prices for such commodities would go up. Then an hour of labour of a watchmaker would once more become equal to an hour and a half or even two hours of simple labour. Then it again becomes advantageous to learn a skilled trade.

We have seen that the value of a commodity is determined by the socially necessary labour expended upon its production. Does this mean that in the system of commodity production every commodity can always be exchanged for its full value? Of course not.

For this it would be necessary for every commodity produced to have a purchaser immediately. It would be necessary for supply and demand always to balance each other. Can this really happen? In the system of commodity production there is no organ in society which could tell the individual producer what commodities and in what quantities he should produce. So long as the greater part of production is for immediate use and only a small share of the surplus gets to the market, the role of the market is not very great. But with the expansion of commodity production the market becomes more and more important.

Each separate commodity producer works at his own risk. Only after the commodity has been produced and is taken to the market does he find out whether there is a demand for his commodity or not.

The price of a commodity is the monetary expression of its value. But price always vacillates according to the conditions of the market. A struggle about the price of the commodity takes place at the market between seller and buyer. Competition, among the sellers on the one hand, and among the buyers on the other, decides the question of the price at which the commodity is to be sold. The price of a commodity, therefore, does not always correspond to its value. The price is sometimes higher, sometimes lower than the value of the commodity. The value, however, always remains the centre or axis about which the price oscillates.

If more of a commodity has been produced than there is a demand for, then the supply exceeds the demand and its price falls below its value. When the price falls below the value it means that the producer of the given commodity will not be repaid for all the labour he has expended on it. It will therefore pay him better to produce some other commodity for which there is more demand. The production of the first commodity will be curtailed. But then the relation between supply and demand will become more advantageous for this commodity, and after a while its price may rise again to the level of its value and even higher.

Only in this way, by means of continuous fluctuations, is the law of value realized. Commodities sell at their value only in the event of supply exactly equalling the demand. This happens, however, only as a rare exception.

> "The theory of value assumes and must assume an equal supply and demand, but it does not assert that such an equality is always to be observed or can be observed in capitalist society." [Lenin, *Collected Works,* Vol. II, "Articles on the Question of the Theory of Markets," p. 407, Russian ed.]

The law of value appears as *a blind force of the market.* Every individual producer must submit to this blind force. As Marx expresses it, this force acts like the falling of a house. This means that the individual producer can never know beforehand what the all-powerful market will require of him. The law of values acts behind the back of the individual producer. Commodity production is characterised, as we have seen, by anarchy, *i.e.,* by the absence of any order, any conscious plan for society as a whole. The law of values acts as an impersonal, unconscious power in a society where anarchy of production prevails.

From the preceding chapters we already know that commodity production did not come into existence at once in its developed form. On the contrary, exchange only gradually undermines and destroys the previous natural economy. The change from natural economy to commodity economy is prolonged over many centuries.

Under developed commodity economy one commodity is not exchanged directly for another. Commodities are bought and sold, they are converted into money. The form in which their value is manifested is money. However, in order to understand the monetary form of value, we must acquaint ourselves with the less developed forms, corresponding to the earlier stages of development of commodity production and exchange.

When production still has a primarily natural character, and the exchange is effected by chance, we have the elementary, single, or accidental form of value. One commodity is exchanged for another: the skin of an animal, let us say, is exchanged for two spears. Those distinguishing features, which become prominent when exchange and commodity production have reached their utmost development and expansion, are already contained in embryo in this still completely undeveloped form of value.

In the given instance, the simple form of value serves as an expression of the value of the skin, receives its expression in the form of two spears. We see that the value of the skin is not expressed directly, but only *relatively,* in relation to the value of two spears. Two spears serve here as the equivalent of one skin. The value of the skin is expressed by means of the use value of two spears.

Thus we see here that the use value of one commodity (two spears) serves as an expression of the value of another commodity (a skin). The value and the use value are *divided* as it were, the value is separated from the use value. Here the skin figures only as the value, the two spears only as the use value. The value of the skin becomes, so to speak, separated from its use value and is equated to another commodity. From this the conclusion can be drawn that the value of a commodity cannot be expressed in terms of itself alone, to express this value there must be the bodily form of another commodity, an equivalent.

Even in the simple form of value the distinguishing feature of the commodity equivalent is that the use value of this commodity serves as the expression of its opposite - value.

> "The body of the commodity that serves as the equivalent figures as the materialization of human labour in the abstract and is at the same time the product of some specifically useful concrete labour." [Marx, *Capital,* Vol. 1, p. 27].

Accordingly concrete labour serves here as the expression of abstract labour, individual labour - as the expression of social labour.

The simple form of value exists only so long as exchange bears an absolutely single, accidental character. As soon as exchange is somewhat more widely developed, this form of value changes into the *total or expanded form of value* in which not two commodities, but a much wider circle of commodities, are equated to each other. In this form each commodity can be exchanged not only for another commodity, but for a whole series of commodities. For example, the skin can be exchanged not only for two spears, but for a pair of shoes, for an oar, for a piece of cloth, or for a sack of corn. The total or expanded form of value will, therefore, appear as follows:

1 skin = 2 spears = 1 pair of shoes = 1 oar = 1 piece of cloth = 1 sack of corn, etc.

We have this form of value when some product of labour, cattle for instance, is habitually exchanged for various other commodities, not as an exception but as a general rule.

The expanded form of value is a further stage in the development of the form of value. The value of one commodity is expressed in different commodities, belonging to different owners of commodities. The division between value and use value is here made still more evident. The value of the skin is here opposed to its use value as something common to a series of other commodities.

However, even the expanded form of value does not satisfy the demand, which grows with the development of exchange.

The development of exchange makes the shortcomings of this system of exchange more and more manifest. These shortcomings are done away with by the next, more developed form of value, namely, the general form. The general form of value naturally grows out of the total, or expanded form. In the expanded form of value one commodity is most frequently exchanged, and therefore its value is expressed in a whole series of other commodities. Let us suppose that this commodity is cattle. Let us say that one ox is exchanged for one boat, for three pairs of shoes, for three sacks of corn, for twenty arrows, etc. We have only to reverse this series of exchange relations and we will have the general or universal equivalent form of value, as follows:

1 boat / 3 pairs of shoes / 3 sacks of corn / 20 arrows, etc

= 1 ox.

In the universal equivalent form of value, the value of all commodities finds expression in one and the same commodity. The commodity which expresses the value of the other commodities serves as the *universal equivalent.* This commodity is readily taken in exchange for any other commodity. Thus the inconvenience which accompanies the total or expanded form of value is eliminated. Here the separation! of value from use value becomes still greater. All commodities express their value in a single commodity. It becomes the function of one commodity to express the value of all other commodities. The entire world of commodities is split into two opposite groups: the universal equivalent by itself makes one group, and the other group consists of all the other commodities.

The *money form of value* differs only slightly from the universal form. When the precious metals - gold and silver - definitely become the fixed universal equivalent, we have the transition from the universal form of value to the money form. In the money form the particular social function, *i.e.,* the expression of the value of all commodities, is embodied in one particular commodity. This commodity, gold or silver, is pre-eminent in the commodity world. Before it becomes money, gold must first be a commodity. But, having become money, gold acquires a number of new properties in connection with its role as money.

Value is a specific social relation between persons which is; expressed as a relation between things. The value of a commodity cannot be expressed in terms of itself. It can only be expressed with the help of another commodity. The exchange relation between one commodity and another, or *its exchange value,* serves as the expression of its value. We have seen the development of the form of value from the simple to the money form. The development of the form of value is linked with the development of the contradictions which are inherent in commodities. The contradictions between use value and value emerge more and more clearly in the process of the development of exchange and the corresponding forms of value. In money this contradiction is expressed most fully. Money becomes the one and universal means of .the expression of value. All other commodities counterbalance money as use values.

Under planned socialist production it is clear to every worker that he is part of an organised body. Under socialism the production relations between people become clear and obvious. The connection between each individual worker and enterprise and all other workers and enterprises is self-evident and clearly understood.

It is not so in a society where commodity production prevails. With commodity production the production relations between people appear as relations between things. When a cobbler sells a pair of boots he has made and with the money thus obtained buys bread at the baker's for himself and his family, we have a definite production relation, a definite connection between people according to production. The bread baked by the baker serves the needs of the cobbler, and the boots made by the cobbler will perhaps go to the baker. It follows, therefore, that the work of the baker is needed to satisfy the needs of the cobbler; the work of the cobbler is needed to satisfy the needs of the baker. Thus there is a definite connection between the cobbler and the baker, a definite relation according to production. But how is this connection revealed? In what is it expressed? We have already seen. It reveals itself in the process of exchange. Commodities are objects that change hands from one producer to another. Bread goes from the baker to the cobbler. Boots go from the cobbler to the merchant and from the merchant to the same baker. However, commodities do not simply change hands. Everyone knows that the cobbler gives up the boots he has made only after he has received a corresponding amount of money for them - their price". The baker acts in exactly the same way. Thus, under the system of commodity production, production relations among people are revealed as the movement of things - commodities.

Value is the relation between persons who produce commodities. But this relation presents itself as a relation between things - commodities. This production relation is concealed by a material cover, hidden behind the movement of things. The value of a commodity seems just as natural a property of the commodity as, say, its colour or weight; it is said, for instance: this bread weighs half a pound and is worth five cents. A commodity becomes a very puzzling thing. The fate of the producer is closely tied up with that of his product. If our cobbler cannot sell the boots he will slay without bread. If the price of boots falls - he can buy so much less bread. Why cannot the cobbler sell the boots, or why docs he get less for them this time than he got before? The cause lies in the changes which have taken place in the economic life, in the production relations of people in capitalist society, say a crisis has come, or the workers are buying boots more seldom because of a reduction in wages. The real cause will, however, long remain unknown to the cobbler and when he does find it out it will generally be in a distorted way. For the connection between the cobbler and the rest of the producing world is centred in his commodity - boots, in their value which is realised on the market. The fact that under commodity production the relations between persons according to production acquire the appearance of relations between things - commodities - and that commodities, hence, acquire peculiar social properties, we call *commodity fetishism* (fetishism generally is the worship of imaginary, supernatural properties ascribed to an object - a fetish). Under capitalism all production relations between persons in society are hidden under a cover of things. All production relations between persons under capitalism appear as relations between things, as relations connected with things. This masks the real meaning of capitalist relations, veils them, hides their real character, gives them an illusory appearance. That is why it is very important to unmask, to understand, the puzzle of commodity fetishism that permeates all relations under capitalism.

Marx was the first to solve the riddle of commodity fetishism. Marx was the first to reveal the social relations between persons, where up to his time only the mysterious properties of things had been seen. He was the first to show that value is a social relation between people in the commodity production system.

> "Political economy begins with *commodities,* begins with moment when products are exchanged for one another - whether by individuals or by primitive communities. The product that appears in exchange is a commodity. It is, however, a commodity solely because a *relation* between two persons or communities attaches to the *thing,* the product, the relation between producer and consumer who are here no longer united in the same person. Here we have an example of a peculiar fact, which runs through the whole of economics and which has caused utter confusion in the minds of the bourgeois economists: economics deals not with things but with relations between persons and in the last resort between classes; these relations are, however, always *attached to things* and *appear as things. This* inter-connection, which in isolated cases it is true has dawned upon particular economists, was first discovered by Marx as obtaining for all political economy, whereby he made the most difficult questions so simple and clear that now even the bourgeois economists will be able to grasp them." [Engels, *Ludwig Feuerbach,* Appendix, pp. 99-100, Moscow, 1934].

Nowadays it seldom happens that one commodity is directly exchanged for another. The producer usually *sells* the commodities he produces for money, and for the money realised buys the commodities he needs. Why then do we speak of the exchange of commodities? The fact is that money here really acts as an intermediary in the exchange of commodities. The capitalist sells his products and gets a definite sum of money for them. But he is not interested in this money as such. He needs this money to buy new raw material and machinery, to hire workmen, to expand production.

The exchange of commodities through the medium of money is, however, radically different from the direct exchange of commodities. The introduction of money leads to a further growth and development of the contradictions inherent in commodities.

Money is not introduced by consent or agreement, it comes into use spontaneously. Only with the aid of money can the all-sided social connection established between the separate individual producers under the commodity production system be realized.

The contradiction between concrete and abstract labour, as we have seen, is expressed in the contradiction between the use value and the value of a commodity. With the introduction of money a further development of this contradiction takes place. The commodity acquires the twofold character of commodity and money. When exchange takes place by means of money, the owner of the commodity receives in exchange for it money which incorporates the value of the commodity.

The value of the commodity is now expressed in its price, *i.e.,* it) a definite amount of money. It is not enough that the commodity has been produced - it must be exchanged for money. It must be sold, its price must be realised. If it cannot be sold - it means the producer has laboured in vain.

Money is a universal commodity, the universal equivalent. Money is the embodiment of value, the embodiment of abstract labour. Money is the stamp with which the market puts its label of social recognition on commodities, transforming them from products of private labour to those of social labour.

But in this there already lies the danger that the products of one or another producer may not be converted into money. If it proves impossible for the commodity producer to convert his commodity into money it means his private, individual labour has not become a part of social labour. This means that due to the anarchy prevailing in production he has futilely spent his labour, raw material and tools on the production of a commodity which cannot be sold. It is clear that in money, commodity fetishism is even more acutely apparent. In capitalist commodity production all social production relations are, as Marx points out, gilded or silvered. Supernatural powers are ascribed to money. Being a product of social development money acquires an altogether extraordinary force and power in this society.

> "Being the highest product of the development of exchange and of commodity production money masks and hides the social character of individual labour, the social tie between the various producers whom the market brings together." [Lenin, *Marx-Engels-Marxism,* "Karl Marx," p. 17].

Money plays an important part in the transition from small-scale commodity production to capitalism. The bosses who have grown rich, acquiring their wealth by hook or by crook, amass it in the form of money. Capital first originates in the form of money.

Money has a number of functions in commodity economy. Every commodity is sold for a definite sum of money. This sum of money is called the *price of the commodity.* Thus, price is value expressed in terms of money.

The value of a commodity is measured by money. The measurement of the value of a commodity in money is the premise of the exchange of the commodity, its purchase or sale. Before a commodity can be bought or sold, it is essential to know its price. Thus money plays the role of a *measure of value.*

The value of a commodity is determined by the working lime spent on its production. However, value cannot be expressed by the socially necessary working time. In buying or selling a pair of boots, for example, it is not said that the boots cost twenty hours of labour but that they cost, let us say, $10. We have explained this previously. The value of a commodity *x* can be expressed only through the medium of another commodity. It is not known beforehand whether the time spent on the production of the boots will actually be taken into account. Perhaps, if the market is flooded, the boots will be sold not for $10, but only for $5. This would mean that the twenty working hours actually spent on the production of the boots would have to be exchanged for a product of only ten working hours. The price of a commodity is constantly fluctuating round its value, these fluctuations manifesting themselves in the fact that the cost of a commodity may be first above, then below the value, or *vice versa.*

To be a measure of value, money itself must be a commodity and possess value. One cannot, for example, measure weight by means of an object which has no weight. But must money actually be present when the value is measured? Obviously not. We can evaluate an enormous number of commodities without having a cent in our pockets. Money fulfils its function as a measure of value theoretically, as *ideal* money. From this it is clear that the question of the amount of money also plays no part in this function.

The decisive moment for a commodity comes after it is priced in money. It must be sold, *i.e.,* exchanged for money. An exchange of goods accomplished by means of money is called the circulation of commodities. It is clear that the circulation of commodities is inseparably linked up with the circulation of money itself. When a commodity goes out of the hands of the seller into the hands of the buyer, money goes out of the hands of the buyer into the hands of the seller. Here money plays the part of the means of circulation, or the means of commodity turnover.

To fulfil the role of the means of circulation, money must actually be present. Here it emerges not as ideal money, but as real money. Everybody knows that *you* cannot buy a pinch of snuff with "ideal money." You can imagine a million dollars but you will not be able to buy anything with your imaginary million, whereas with every really existing dollar you can obtain a commodity of corresponding value.

In one important respect the requirements for the means of circulation are different from the requirements for the measure of value. To be the means of circulation, money must not necessarily possess a value of its own. In all probability the seller of the commodity takes money in exchange not for the sake of any value of its own, but in order to change it in its turn for another commodity, *i.e.,* to buy another commodity. While it is serving as the means of exchange, money does not lie in the pockets of individual persons, it continues its uninterrupted movement in the direction of the inverse movement of commodities. Consequently, money here plays only a transient part. This is precisely why full value money - gold - can be replaced in this function by its substitutes, or symbols of itself. Such substitutes for gold are bank notes, paper currency, silver and copper coins without full value, etc. These substitutes for gold (or tokens of value) have either no value at all, or much less than that which they represent. As the moon shines with the reflected light of the sun, they reflect the value of the real money - gold.

To fulfil the function of the means of circulation a definite amount of money is required. In order to sell a commodity worth a thousand dollars, there must actually be not *any* sum of money, but precisely the thousand dollars. On the other hand, this same thousand dollars which is paid for the given commodity can afterwards serve as the circulating medium for other commodities worth a thousand dollars. But commodities are bought and sold in many places simultaneously. Therefore, the amount of money necessary at a given moment depends on the sum total of the prices of all the commodities in circulation; the sum total of the prices in its turn depends on the quantity of commodities in circulation and on the price of each individual commodity.

The amount of money that will be needed, for example in the course of a year, depends not only upon these two quantities, but also upon the rapidity of the currency of money: if the circulation takes less time, less money is needed for the process of circulation, and *vice versa.*

The twofold nature of commodities - as goods and as money - opens the way for the further development of the contradictions of commodity production. When commodities are exchanged directly for each other a sale is at the same time a purchase. Money makes it possible to separate the sale from the purchase. The commodity producer can sell his goods and for a time keep the money realised. However, when many producers try to sell without buying, this results in an obstruction in the market. Money thus already opens the way for crises, while the further development of commodity production and its transformation into capitalist production make crises inevitable.

When the commodity owner has sold his commodity, he often puts aside the money he has received. Money is the "universal representative of material wealth." [Marx, *Capital,* Vol. I, p. 109]. In the capitalist world, money can be converted at any moment into any commodity. The difficulty is to convert the commodity into money and not the money into a commodity. Therefore money is the best means of accumulation, or the means for amassing great wealth. Under capitalism the passion for profit knows no bounds. The thirst for enrichment acts as a spur towards the accumulation of the greatest possible amount of money.

In its role as the means of amassing wealth, money must be money in the full sense of the word. For this it must possess value of its own, just as for the fulfilment of its function as a measure of value. At the same time it must always be present in its real aspect: one cannot accumulate money which is merely ideal, one can only accumulate that money which really exists. Thus it must also possess that property which it possesses in its function of circulating medium.

In developed capitalist society a man who accumulates money merely out of a passion for accumulation is rarely met with. The man who hoards money or simply amasses wealth in its money form is characteristic of the earliest stages of capitalism. The capitalist entrepreneur is no longer blinded by the golden glitter of money. He knows that in order to increase his wealth he must extend his production, his turnover, he must extract more unpaid labour from his workers. However, even modern capitalism (or the hank that serves it) must from time to time engage in the accumulation of money. To extend production it must have a definite sum of money which it must spend all at once. In the course of a certain time it accumulates this sum.

Moreover, money functions also as a means of payment. Selling and buying are frequently accomplished on credit. The purchaser buys a commodity and pays its price only after a fixed time. This function of money reflects a further wide development in exchange. The link between individual commodity producers becomes stronger. Their interdependence increases. Now the buyer becomes the debtor, the seller is transformed into the creditor. When the time approaches for payment the debtor must obtain the money regardless of all else. He must sell his commodity so as to be able to pay his debt. What will happen, if he cannot find a buyer and he cannot clear his debt? This will deal a blow not only to his own production, but also to the production of his creditor, who will not receive back that which he gave on credit. In this way the possibility of crises, which is already inherent in the function of money as a means of circulation, becomes still more acute.

The function of money as a means of payment introduces new conditions into the law which determines the quantity of money needed for circulation. To those trends which ensue from the function of money as the circulating medium are added new trends arising from its function as a means of payment. Formerly, the quantity of money needed to serve for circulation depended on the sum total of the prices of the goods in circulation, and the rapidity of the currency of the money. Now the following new circumstances are added. First of all, from the total prices of the commodities in circulation, it is necessary to subtract the sum total of the prices of those commodities which are sold on credit. On the other hand, we must add the sum total of the prices of those commodities which were sold on credit but for which payment is due. Furthermore, we must take into cognizance the sum total of the payments which balance each other because the sellers and buyers of the various commodities are interconnected. Finally, money plays the part of *universal money.* In the trade between individual states, gold is a commodity differing from all other commodities only in that it is accepted by everyone. Therefore the equilibrium in the trade between various countries is maintained by means of gold. Let us suppose, for example, that England has exported commodities to America to a greater value than she has imported from America. Then America must transfer a quantity of gold to England to compensate for the difference. It is customary to replace gold *by* bits of paper which represent it. If this paper money is issued in quantities not greater than is necessary for commodity circulation, if it can be freely exchanged for gold, then its purchasing power is stable. Capitalist governments, however, often issue a greater amount of paper money to cover their needs, particularly during wars and all kinds of catastrophes. Then money is devaluated. At the present time, when capitalism is experiencing the severest crisis, a number of bourgeois governments have taken this step. At first money was inflated in a number of secondary countries but soon the greatest capitalist governments, England and the U.S.A., went the same way.

The social connection between individual producers of capitalist commodity-producing society is veiled, befogged. This social connection is manifested in the exchange of commodities. In commodity production, labour acquires the form of value. Commodities are exchanged according to their value, *i.e.,* in accordance with the amount of the socially necessary abstract labour embodied (congealed) in them. All the contradictions inherent in capitalist commodity production are to be found in embryo in commodities, in their value, in the exchange of commodities.

> "Marx, in his *Capital,* at first analyses the simplest, the most ordinary, fundamental and commonplace thing, a *relation* that has a mass appearance and is to be observed billions of times in bourgeois (commodity) society: the exchange of commodities. In that simple phenomenon (in that 'cell' of bourgeois society) the analysis reveals *all* the contradictions (respectively the embryos of *all* contradictions) of modern society. The subsequent exposition shows the development *(both* growth and movement) of those contradictions and of this society in the Σ [Greek letter used in mathematics to indicate the term sum]of its parts, from beginning to end." [Lenin, *Marx-Engels-Marxism,* "On Dialectics," p. 209].

The law of value is the *law of motion* of capitalist commodity production. This motion appears in the form of a further development of the contradictions, the germs of which are inherent in value. These contradictions are manifested most sharply during crises. Anarchy of production, characteristic of the capitalist commodity producing system, appears in its most naked form during crises. The contemporary capitalist crisis bears the most eloquent evidence of this. During a crisis, the contradictions between the productive forces and the production relations, contradictions which draw capitalism towards its inevitable doom, stand out sharply.

With the historical development of commodity production and its transformation into capitalist production, as capitalism develops further, the contradictions inherent in commodities and value grow and become more complex. The growth of the contradictions inherent in commodities reflects a gigantic historical stride of capitalist development.

> "Marx traced the development of capitalism from the first germs of commodity economy and simple exchange, to its highest forms, to large-scale production. [*Ibid.,* "The Three Sources and Three Component Parts of Marxism," p. 53].

Showing how Marx traces this great historical process of development, embracing many centuries, Lenin also shows how the contradictions originate, the germs of which already exist in commodities: "Where the bourgeois economists saw a relation of livings (the exchange of one commodity for another) Marx revealed a *relation between men.* The exchange of commodities expresses the connection between individual producers by means of the market. *Money* signifies that this connection is becoming closer and closer, inseparably combining the entire economic life of the individual producers into one whole. *Capital* signifies a further development of this connection: the labour power of man becomes a commodity. . . .

> "Capital, created by the labour of the worker, presses upon the workers, ruins the petty owners and creates an army of unemployed. ...

> "By beating petty production, capital leads to the increase of the productivity of labour and to the establishment of a monopoly position for associations of the biggest capitalists. Production itself becomes more and more social; hundreds of thousands and millions of workers are linked up in a systematic economic organism, but the product of the collective labour is appropriated by a handful of capitalists. Anarchy of production, crises, a furious hunt after markets, and the insecurity of existence for the masses of the population, are on the increase." [*Ibid.,* pp. 52-3].

The development of the contradictions of capitalism, at the same time, lays a basis for the final triumph of the proletariat.

> "Capitalism has been victorious all over the world," writes Lenin, "but this victory is only the eve of the victory of labour over capital." [*Ibid.,* p. 53].

Review Questions

1. What is the difference between natural production and commodity production?

2. What determines the value of a commodity?

3. What labour is called socially necessary labour?

4. What is the difference between concrete and abstract labour?

5. What is the role of the market in the commodity production system?

6. How does the law of value act?

7. How does capitalism differ from simple commodity production?

8. Can commodity production exist without money?