

A. Leontiev

## POLITICAL ECONOMY - A Beginner's Course

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### Chapter 1 – What Is Political Economy And What Does It Teach?

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In its struggle the proletariat is guided by the teachings of Marx, Engels, Lenin and Stalin. These great teachers and leaders of the proletariat have forged a powerful weapon. They have created and developed revolutionary theory of the proletariat. The Marxist-Leninist teaching is a guide for the working class in its struggle under capitalism. Marxism-Leninism is a powerful weapon in the hands of the class conscious workers of all countries who enter the struggle against capital, and after the triumph of the proletarian revolution it shows the working class the way to conduct successfully the further struggle against all enemies of socialism, it enables them to carry out a correct policy ensuring the building of a complete socialist society.

In his explanation of the first draft program of the Bolshevik Party, Lenin wrote more than thirty years ago that Marxian theory

"... for the first time transformed socialism from a Utopia into a science, established a firm basis for this science and indicated the road along which to proceed in developing and elaborating this science further in all its details. It uncovered the essence of modern capitalist economy, explaining how the hiring of labour, the purchase of labour power, masks the enslavement of millions of propertyless people by a small group of capitalists, the owners of the land, factories, mines, etc. It showed how the entire development of modern capitalism tends towards the crushing of small enterprises by large ones, creating conditions which make possible and necessary the establishment of a socialist order of society. It taught one to distinguish - under the veil of established customs, political intrigue, tricky laws and tangled teachings - the *class struggle*, the struggle of propertied classes of all sorts with the propertyless masses, with the *proletariat*, which leads all the propertyless masses.

It made the real task of the revolutionary, socialist party clear: not the concoction of plans for the reorganization of society, not sermons to the capitalists and their henchmen about improving the conditions of the

workers, not the organisation of conspiracies, but the *organisation of the class struggle of the proletariat and the leadership of this struggle, the final aim of which is - the capture of political power by the proletariat and ' the organisation of socialist society.'*" (Lenin. *Collected Works*, Vol. II, "Our Program," p. 491, Russian ed.)

Marxism was the first to give a scientific approach to the study of the history of mankind. Bourgeois scientists are powerless to explain the laws of development of society. They represent the history of society as a continuous chain of pure accidents in which it is impossible to find any definite law connecting them. Marx was the first to show that social development like natural development follows definite internal laws. However, unlike the laws of nature, the laws of development of human society are realised, not independently of the will and acts of man, but, on the contrary, through the action of the broad human masses. Marxism discovered that the capitalist system, by virtue of the contradictions inherent in it, is unswervingly advancing towards its own destruction. Marxism teaches, however, that the destruction of capitalism will not come of itself, but only as the result of a bitter class struggle of the proletariat against the bourgeoisie. The social-democratic theory that, since society presumably develops according to definite laws, the working class can sit down with folded hands and wait for these laws to bring about socialism in place of capitalism is a crass distortion of Marxism. The laws of social development do not realise themselves automatically. They forge their way through the class struggle taking place in society.

The proletariat, armed with the Marxist-Leninist teaching, carries on the struggle for socialism with certainty. It knows the laws of social development; with its struggle, its work, its activity, it follows these laws, which lead to the inevitable destruction of capitalism and the victory of socialism.

Marxism-Leninism teaches one to lay bare the class struggle of the disinherited against their oppressors.

Marxism-Leninism teaches that the only road to socialism leads through the determined class struggle of the proletariat for the overthrow of the rule of the bourgeoisie and the establishment of its own dictatorship.

Let us take any capitalist country. Whether it is an advanced or a backward country, the first thing that strikes one is class differences. In splendid mansions on streets lined with lawns and trees - a few rich people live. In dirty, smoky houses, squalid tenements or rickety shacks on joyless streets - live the workers, the creators of the tremendous incomes of the rich.

Under capitalism society is divided into two great enemy *camps*, into two opposed *classes* - the bourgeoisie and the proletariat. The bourgeoisie has all the wealth and all the power in its hands; it has all the plants, factories, mines, the land, the banks, the railroads; the bourgeoisie is the *ruling class*. The proletariat has all the oppression and poverty. *The contrast between the bourgeoisie and the proletariat* - that is the most important, distinction in any capitalist country. The *struggle* between the working class and the bourgeoisie - that is what takes precedence over everything else. The *gulf* between these two classes grows ever deeper, ever wider. With the growth of class contradictions the indignation of the masses of the working class grows, their will to struggle grows, as do their revolutionary consciousness, their faith in their own strength and in their final victory over capitalism.

The crisis brought untold suffering to the proletariat. Mass unemployment, lower wages, thousands of suicides of people brought to desperation, death from starvation, increased mortality of children - these are the joys of capitalism for the workers. At the same time the bourgeoisie gets its tremendous incomes as usual.

Thus, for instance, according to German newspapers, 43 directors of the dye trust get 145,000 marks a year each; 4 directors of the Schubert and Saltzer Firm - 145,000 each; 2 directors of the Use Corporation - 130,000 each; 7 directors of the Mannesman Corporation - 135,000 each; 22 directors of the Alliance Insurance Co. - 80,000 each.

Millions of people go hungry so that a handful of parasites may live in luxury and idleness. This is the picture which capitalism presents, this is the picture of the class contradictions, sharpened to the extreme by the unprecedented crisis.

The interests of the bourgeoisie and the proletariat are opposed to each other. The bourgeoisie tries to hold on to its rule by all the devices of violence and deceit. The proletariat tries, in proportion to the growth of its class consciousness, to do away with capitalist slavery and to substitute the socialist order for it.

The bourgeoisie and the proletariat are the *basic classes* in capitalist countries. Their interrelations, their struggle - these are what determine the fate of capitalist society. However, in capitalist countries, together with the bourgeoisie and the proletariat, there are other, intermediate, strata. In many countries these intermediate strata are fairly numerous.

The intermediate strata consist of the small and middle peasants (farmers), artisans, and handicraftsmen. These strata we call the petty bourgeoisie. What makes them kin to the bourgeoisie is that they own land, instruments and tools. But at the same time they are toilers, and this makes them kin to the proletariat. Capitalism inevitably leads to the impoverishment of the intermediate strata. They are being squeezed out under capitalism. Insignificant numbers break through into the ranks of the exploiters, great masses are impoverished and sink into the ranks of the proletariat. Hence, in its struggle against capitalism, the proletariat finds allies in the broad masses of the toiling peasants.

The bourgeoisie and the proletariat - these are the two main classes in every capitalist country. The bourgeoisie rules. But the bourgeoisie cannot exist without the working class.

The capitalist cannot prosper if hundreds and thousands of workers will not bend their backs and be drenched in sweat at his plants and factories. The blood and sweat of the workers are converted into jingling coin to fill the pockets of the rich. The growth and strengthening of bourgeois rule inevitably call forth the growth of the working class, an increase in its numbers and in its solidarity. Thus the bourgeoisie prepares its own gravedigger. As the capitalist system develops, the forces of the new, socialist society ripen at its core. Classes, their struggle, the contradictions of class interests - this is what constitutes the life of capitalist society.

But what are classes? Lenin answered this question as follows:

*"What is meant by classes in general? It is what permits one part of society to appropriate the labour of another. If one part of society appropriates all the land,*

*we have the classes of landlords and peasants. If one part of society owns the plants and factories, shares and capital, while the other part works in these factories, we have the classes of capitalists and proletarians." (Ibid., Vol. XXV, "Speech at the Third Congress of the Russian Young Communist League," p. 391, Russian ed.)*

What is the secret, however, which renders it possible for one part of society to appropriate the labour of another part of that society? And what are the reasons for the appearance of whole groups of people who "sow not, but reap"?

In order to understand this it is necessary to examine *how production is organised* in society. Every worker, every toiling fanner knows very well what production means. People must have food, clothing and shelter in order to exist. Every toiler knows very well the labour it requires to build houses, cultivate land, produce bread, perform the necessary work in plants and factories to produce the things man needs - because every worker, every toiling farmer, himself takes part in this work.

By means of labour, people change objects found in nature, adapt them for their use and for the satisfaction of their wants. In the bowels of the earth people find coal, iron ore, oil. By their labour they extract these useful objects and bring them to the surface of the earth. Here the iron ore is smelted and made into iron. The iron is in turn converted into the most diverse things - from a locomotive to a pocket knife or needle.

Everyone knows that people do not work singly but *together*. What could one man, by himself, do with a coal mine, an iron mine, a plant or a factory? And first of all, could there be such undertakings altogether without the united effort of thousands and tens of thousands of people? However, it is not only on large undertakings that individual effort is unthinkable. Even the individual peasant working a small plot of land with the help of his old mare could not do so if other people would not furnish him with a whole number of necessary things. The handicraftsman and artisan who works by himself could not get very far either without the instruments and materials which are the product of the labour of others.

We thus see that production proceeds in society. Production is *social*, but it is organised *in various ways*.

In order to produce, land, factory buildings, machinery and raw material are needed. All these are called *the means of production*. But the means of production are dead without *human labour*, without live *labour power*. Only when labour power is applied to the means of production does the process of production begin. *The place and significance in human society of different classes are determined by the relation of each of these classes to the means of production*. For instance, under the feudal system the principal means of production - the land - is owned by the landlord. By means of his ownership of the land, the landlord exploits the peasants. Under the capitalist system all enterprises, all the means of production, are in the hands of the bourgeoisie. The working class has no means of production. This is the basis for the exploitation of the proletariat by the bourgeoisie.

Capitalism was not the creator of classes and class differences. Classes existed before capitalism, under the feudal system, and even earlier. But capitalism substituted new classes for the old. Capitalism created new methods of class oppression and class struggle. *"Classes are large groups of persons, differing according to their places in the historically established system of social production, according to their relations (mostly fixed and formulated in laws) to the means of production, according to their roles in the social organization of labour and consequently according to their methods of obtaining and the size of the share of social wealth over which they dispose. Classes are groups of persons, of which one group is able to appropriate the labour of another, owing to a difference in their respective positions in a definite order of social economy." (Ibid., Vol. XXIV, "The Great Initiative," p. 337, Russian ed.)*

Marxism was the first to disclose the laws of development of human society. Marx showed that economics lies at the basis of social development and that the mainspring of social development is the class struggle. The millions struggle of the oppressed classes against their oppressors - this is the fundamental motive force of history.

We have already seen that classes differ according to the places they occupy in a given system of social production. We have also seen that the place occupied by any class is determined by the relation of this class to the means of production. In the process of production definite relations are established between people.

We already know that social production is variously organized. In capitalist countries there is one social system, in the *Soviet Union* there is a totally different one. In capitalist countries the proletariat is compelled to work for the capitalist, is subjected to submission and arbitrary rule. There the plants, the factories, the railroads, the land, the banks - all belong to the bourgeoisie. The bourgeoisie has all the means of production in its hands. This makes it possible for the bourgeoisie to drain the life sap out of the workers, to oppress and enslave the working class. The relations between the bourgeoisie and the proletariat, between the capitalist oppressors and the exploited workers, put a decisive stamp on the entire order of any capitalist country. In the Soviet Union, on the contrary, the proletariat occupies the ruling position in the plants, the factories and in the entire state.

In the course of production, definite relations are established between people, between entire classes. These relations we call *production relations*. The relations between workers and capitalists can serve as an example of production relations. Every social system, every system of social production, is characterised by the production relations dominant in it. In the Soviet Union production relations are entirely different from those in capitalist countries. What determines production relations in society, on what do they depend? Marx showed that production relations depend upon the stage of development of the *material productive forces of society*. At different stages of its development a society commands different levels of productive forces. At present, production takes place principally in large plants and factories, by means of complex machinery. Even in agriculture, where for ages the ancient wooden plough held sway, complex machinery is being used to an ever greater extent. In the past, however, human labour was totally different. Modern complex machinery was not even dreamt of then. In very ancient times a stone and a stick were the only instruments known to man. Many thousands of years have elapsed since then. Gradually man discovered newer and newer methods of work, learned to make new instruments. Instruments and machinery are the servants and helpers of man. With their aid human labour power produces enormous quantities of things which were undreamt of before. Of course, with the change of the means of production, with the introduction of new machinery, the very labour of man changes. During the last century to century and a half, technical progress has been particularly rapid.

About a hundred and fifty years ago people did not yet know anything about the steam engine; electricity came into use only about fifty years ago. Railroads have been developed only during the last hundred years. Automobiles became common only during the last few decades, tractors - even more recently. People still remember very well the first appearance of aeroplanes - it was only a short time before the war. The radio was developed only since the war.

However, it is not only man's tools - his inanimate assistants - that grow and develop. At the same time the living productive forces of society develop. *The greatest productive force* consists of the toiling classes themselves, man himself. The ability, the skill and the knowledge of man increase with the development of machines and the advances in technique. There could be no aviators while there were no aeroplanes, there could be no chauffeurs before the appearance of automobiles. Man learns not only to work with the assistance of complicated machines, first of all he also learns to create them, to construct them.

Together with the development of the productive forces, production relations change. Marx says that social production relations change simultaneously with the change and development of the material means of production, with the change in productive forces.

Further, the transition from one form of class dominance to another is inseparably linked up with the development of the productive forces of society. Thus, for example, the development of capitalism is linked up with the spread of large-scale production and with the appearance of machines.

We have already seen, for instance, that in primitive times the state of development of productive forces was very low. The instruments of labour were not yet developed. Man could only inadequately struggle with nature. Primitive tribes could only just manage to feed themselves on the products of the hunt. There were no reserves whatever. Therefore there could not be a system of classes wherein one lives at the expense of the other. The division of society into classes appears at a higher stage of development of the productive forces.

Up to a certain point production relations stimulate the development of the material productive forces. Thus, for instance, capitalism radically changed the old methods of labour, evoked and developed large-scale machine production. But at a certain point in their development,

the productive forces begin to clash with the production relations within which they developed.

"From forms of development of productive forces these relations turn into their fetters. Then comes the period of social revolution." (Marx, *Critique of Political Economy*, Preface, p. 12, Charles H. Kerr & Co., Chicago, 1908.)

At the present time we are living in such a *period of social revolution*. The production relations of capitalist society have turned into chains hampering the further development of the productive forces. Overthrowing the power of capital, the proletariat breaks these chains. The proletarian revolution frees the productive forces from the chains of capitalism and opens up an unlimited scope for their development.

The capitalist system, resting as it does on the brutal exploitation of the toiling masses, will not get off the stage of its own accord. Only the heroic *revolutionary struggle* of the working class relying upon its alliance with the basic mass of peasants and toilers in the colonies, will bring about *the overthrow of capitalism and victory of socialism* the world over.

How is capitalism organised, how is the apparatus organized by means of which a handful of capitalists enslave the working masses? It is important to know this in order to take a conscious and active part in the great struggle which is now going on all over the world between capitalism and socialism.

The development of capitalism leads to the victory of the proletarian revolution, the triumph of the new, socialist system. This was established by Marx many years ago. Marx came to this conclusion through a thorough study of the capitalist system of production, through discovering the laws of its development and decline.

From this it is clear what *tremendous significance* there is in political economy, which, in the words of Lenin, is "*the science dealing with the developing historical systems of social production*." This science occupies a very important place in all the teachings of Marx and Lenin.

In his introduction to *Capital*, Marx says:

"... it is the ultimate aim of this work to lay bare the economic law of motion of modern society," i.e., capitalist society.

Marx set himself the task of discovering the law of development of capitalist society in order to guide the proletariat in its struggle for freedom.

"The study of the production relationships in a given, historically determined society, in their genesis, their development, and their decay - such is the content of Marx's economic teaching," says Lenin. (See Lenin, *Marx-Engels-Marxism*, p. 15).

The servants of the bourgeoisie try to "prove" that the capitalist system, capitalist relations, are eternal and immutable. Their purpose is perfectly evident. They would like to convince the workers that there can be no question of the overthrow of capitalism. The fall of capitalism, they say, is the fall of humanity. Humanity, according to them, can exist only on the basis of the capitalist system. Hence they try to represent all the basic laws of capitalism, all the most important social relations of the capitalist system, as eternal laws, as immutable relations. Thus it has been - thus it will be, say the hirelings of the bourgeoisie.

The political economy of Marx and Lenin does not leave a single stone of this dream edifice of the reactionaries standing. The Marxist-Leninist theory shows how capitalist relations arise from the ruins of the previous system, how they develop, and how the development of the ever sharpening internal contradictions of capitalism inevitably leads to its destruction, leads to the victory of the socialist revolution of the proletariat - the gravedigger of the bourgeoisie.

The history of mankind tells us that man lived on this earth for thousands of years knowing nothing of capitalism. This means that the laws which political economy discloses in capitalist production are neither eternal nor immutable. On the contrary, these laws appear only together with capitalism and disappear with the destruction of the capitalist system which gave rise to them"

It means, in addition, that political economy cannot confine itself to the study of only the capitalist order of society, but must also study the *previous epochs* in the development of society.

Marxist-Leninist political economy penetrates deeply into all the innermost recesses of the capitalist system of coercion and exploitation. It uncovers the true nature of class relations which the learned hirelings of the bourgeoisie try to befog.

Marxism-Leninism studies the production relations of people in capitalist society in their development, in motion. The productive forces of human society develop, as we have already shown, within the framework of definite production relations. The development of capitalist society, however, reaches the point where the productive forces outgrow the limits imposed upon them by the production relations within the framework of which they grew and developed for a time. The contradictions between the productive forces of capitalist society and its production relations then grow sharper. These contradictions find their expression in the class struggle between the bourgeoisie, which defends the system of exploitation, and the proletariat, which fights for the abolition of all exploitation of man by man.

Marxist-Leninist political economy centres its attention on the developing contradictions of capitalism, which lead to its destruction and to the victory of the socialist revolution of the proletariat.

The social revolution is conditioned by the contradictions between the productive forces and the production relations under capitalism, which find their expression in the class struggle. These contradictions inevitably grow keener as capitalist society develops.

Socialism comes to replace capitalism. Under socialism, production relations in society are entirely different in structure from those under capitalism. Must political economy study these new relations? of course it must.

Lenin has shown that political economy is "the science dealing with the developing historical systems of social production."

Engels - who was Marx's closest companion-in-arms - has pointed out that:

*"Political economy, in the widest sense, is the science of the laws governing the production and exchange of the material means of subsistence in human society"* (Engels. *Herr Eugen Duhring's Revolution in Science* [Anti-Duhring], p. 105).

Consequently, political economy must study not only capitalism, but also the epochs which preceded it and the order of society which is coming to *replace it*.

Does this mean that for all systems of social production the same laws prevail? Not at all. On the contrary, every system of social production has its own peculiar laws.

The laws which prevail in the capitalist order lose their force and their significance under socialism.

At present, when socialism is being victoriously built on a sixth of the globe, the great practical importance of also studying the economic structure of socialism and the transition period from capitalism to socialism is clear.

To us theory is not a dogma (*i.e.*, a dead, religious doctrine), but a *guide to action*. Theory is of great significance to the revolutionary struggle. The greatest liberation movement in the world of an oppressed class, the most revolutionary class in history, is impossible without revolutionary theory, Lenin has stressed numerous times.

*"You know that a theory, when it is a genuine theory, gives practical workers the power of orientation, clarity of perspective, faith in their work, confidence in the victory of our cause. All this is, and must be, of enormous importance for the cause of our socialist construction,"* says Comrade Stalin. See , *Leninism*, "Problems of Agrarian Policy in the U.S.S.R.," p. 306.

Political economy must give a clear and precise understanding not only of the laws governing the development and decline of capitalism, but also of the laws governing the new socialist order that arises from the ruins of capitalism. Marxist-Leninist political economy throws a bright light on the picture of the decaying capitalist world and also on the picture of the socialist world under construction in the U.S.S.R.

It is clear that attempts artificially to confine political economy within the narrow walls of studying only the capitalist system play into the hands of the enemies of socialist construction. Such attempts prevent the theoretical comprehension of the vast experience of the Soviet Union in economic construction, experience of the utmost importance for the working class of the entire world. Such attempts lead to theory lagging behind practice, to the separation of theory from practice, which plays into the hands of our enemies. Such a conception of political economy, as a science dealing exclusively with the capitalist system, is held by many economists, on the initiative of one of the theoreticians of social democracy, Hilferding, who attempts an idealist revision of Marxism. Lenin came out sharply against such a conception.

Two worlds - the world of capitalism and the world of socialism - this is what at present constitutes the centre of attention in political economy.

Unprecedented destruction and disintegration are taking place in capitalist countries. Beginning with the autumn of 1929 a crisis of unwonted depth and power has been devastating these countries. This crisis has exceeded any crisis previously experienced by the capitalist world in its severity, in its protracted nature and in the distress it has caused to the toiling masses.

The crisis brought tremendous ruin both to industry and to agriculture. Because of the lack of markets, production has been curtailed to an ever increasing extent, shutting down plants and factories and throwing millions of workers out of employment. In the countryside the areas under cultivation were reduced, and millions of farmers ruined. Great quantities of goods were simply destroyed: in Brazil coffee was dumped into the ocean, in the United States wheat was used to fire locomotives, milk was spilled into rivers, fish thrown back into the sea, cattle destroyed, harvests ruined - all in order thus to reduce the quantity of foodstuffs thrown on the market. At the present time when the lowest depths of the crisis have already been passed, capitalism has succeeded in somewhat easing the position of industry by means of the utmost intensification of the exploitation of the workers, by increased robbery of the farmers, by still further pillaging the colonies. Nevertheless, there can be no talk of any serious economic recovery in capitalist countries, since capitalism is living through the period of its decline, its disintegration. The bourgeoisie seeks a way out of the crisis by increasing the exploitation of the masses of workers, by paving the way for a new imperialist war and intervention against the U.S.S.R. The bourgeoisie is passing to fascist methods of rule to an ever greater extent, in an attempt to keep the workers in subjection by means of bloody terror.

During the years of this profound crisis in the capitalist world, the U.S.S.R. has successfully fulfilled its First Five-Year Plan of socialist construction in four years. At the present time, the U.S.S.R. is victoriously carrying out the even greater task of the Second Five-Year Plan - the building of classless, socialist society.

The U.S.S.R. has laid the foundation of socialist economy during the years of the First Five-Year Plan period. Socialist large-scale industry - the fundamental base of socialism - has grown enormously. Dozens of new industries have been created that had never before existed in Russia. In particular, heavy industry, which is the backbone of

the entire national economy, has made great strides forward.

During the period of the First Five-Year Plan, the U.S.S.R. has also accomplished the tremendous task of reorganising agriculture on socialist principles. The new system of collective farms (*kolkhozes*), that opened the door to a well-to-do and cultured life for the millions of peasants, has triumphed in the village. The basic masses of the peasantry, the collective farmers, have become solid supports of the Soviet power, and the last bulwark of capitalism - the kulak (the rich, exploiting peasant) - has been routed.

The working class has grown enormously. The living conditions of the broad masses of workers have improved. The Soviet Union has been transformed into a land of advanced culture. Universal education has been introduced and the illiteracy of tens of millions of people has been done away with. Millions of children and adults are studying at various schools. Tremendous success has been achieved in the inculcation of socialist labour discipline. The energy and activity, the enthusiasm of the millions of builders of socialism, have grown tremendously.

*"As a result of the First Five-Year Plan, the possibility of building socialism in one country was for the first time in the history of mankind demonstrated before hundreds of millions of toilers of the whole world." In the Soviet Union "the worker and collective farmer have become fully confident of the morrow, and the constantly rising level of the material and cultural living standards depend solely upon the quality and quantity of the labour expended by them. Gone is the menace of unemployment, poverty and starvation for the toiler of the U.S.S.R. Confidently and joyfully each worker and collective farmer looks into his future, and presents constantly rising demands for knowledge and culture." (Resolutions and Decisions of the Seventeenth Congress of the C.P.S.U., p. 9, Moscow, 1934).*

At the same time, in the lands of capital the masses of toilers suffer untold and unprecedented privations. The army of unemployed grew with each year of the crisis until it reached the stupendous figure of fifty million. This means that the present crisis doomed to all the tortures of unemployment and hunger a number of workers who, together with their families, exceed the population of the biggest capitalist country - the United States of America. Now that the lowest point of the crisis has been passed not only is there no improvement in the conditions of the masses of workers, but, on the

contrary, their conditions are continually growing worse. The slight increase in production in capitalist industry is taking place primarily at the expense of the increased exploitation of the employed workers and the greater intensity of their labour.

*"Amidst the surging waves of economic shocks and military-political catastrophes the U.S.S.R. stands out alone, like a rock, continuing its work of socialist construction and its fight to preserve peace. While in capitalist countries the economic crisis is still raging, in the U.S.S.R. progress is continuing both in the sphere of industry and in the sphere of agriculture. While in capitalist countries feverish preparations are in progress for a new war, for a new redistribution of the world and spheres of influence, the U.S.S.R. is continuing its systematic and stubborn struggle against the menace of war and for peace; and it cannot be said that the efforts of the U.S.S.R. in this sphere have been quite unsuccessful."* (See Stalin, *Leninism*, "Report on the Work of the Central Committee to the Seventeenth Congress of the C.P.S.U. (B.)," p. 471).

After the end of the civil war in Russia, after the transition to economic construction, Lenin said: *"Now we exert our main influence upon the international revolution by our economic policy."* Hence the tremendous international significance of the victory of socialism in the U.S.S.R. is evident. The workers of capitalist countries, groaning under the pressure of the crisis, under the yoke of fascism, regard the U.S.S.R. as the fatherland of the world proletariat. The success of the U.S.S.R. encourages the workers of capitalist countries to struggle. The world-historical triumphs of socialism in the U.S.S.R. are a tremendous factor in the world socialist revolution.

The capitalists and their lackeys are beginning to think with anxiety about the fate of the capitalist system. The radical difference, the gulf between the turbulent socialist construction in the Soviet Union and the decay of capitalism, is all too striking. *To whom does the future belong* - to communism or to capitalism - this is the question which the foes of socialism now put before themselves ever more frequently.

*The struggle of two systems (i.e., social orders) - capitalism and socialism - that is the central issue of our times. Two diametrically opposite worlds are facing each other: the world of labour, the world of the workers' government, the world of socialism - in the Soviet Union; the world of the bourgeoisie, the world of*

profit hunting, the world of unemployment and hunger - in all other countries. The banner of the workers of the U.S.S.R. carries the slogan: "Those who do not work shall not eat." On the banner of the bourgeoisie could be inscribed: "The worker shall not eat." It is clear that the conscious workers of the entire world consider the Soviet Union their socialist fatherland.

But the capitalist system of violence and oppression will not vanish by itself. It will perish only as a result of the struggle of the working class. Only the revolutionary struggle of the conscious proletariat will push capitalism, which has become unbearable to the great masses of workers, into the grave.

Capitalism or socialism? With the establishment of the Soviet Union this question arose in its full import. Capitalism or socialism? This question becomes more acute with the growing successes of the U.S.S.R. and the growing disintegration of capitalism.

In all capitalist countries power is in the hands of the bourgeoisie. Whatever the form of government, it invariably covers the dictatorship of the bourgeoisie. The purpose of the bourgeois state is to safeguard capitalist exploitation, safeguard the private ownership of the plants and factories by the bourgeoisie, the private ownership of the land by the landlords and rich farmers.

For socialism to triumph, the rule of the bourgeoisie must be overthrown, the bourgeois state must be destroyed and the dictatorship of the proletariat must be substituted in its place. The transition from capitalism to socialism is possible only by means of an unrelenting class struggle of the proletariat against the capitalists, by means of a proletarian revolution and the establishment of a proletarian state. Only by establishing its own state can the working class proceed with the building of socialism and create a socialist society.

There is only one road from capitalism to socialism - and that is the one pointed out by the Communists - the road of proletarian revolution, of the destruction of the bourgeois state machinery, of the dictatorship of the proletariat.

*"Between capitalist and communist society,"* says Marx, *"lies a period of revolutionary transformation from one to the other. There corresponds also to this a political transition period during which the state can be nothing else than the revolutionary dictatorship of the*



**proletariat.**" (Marx, *Critique of the Gotha Programme*, p. 44, (Marxist-Leninist Library)).

It was this road, the only correct, the only possible road to socialism, that the proletariat of Russia took in 1917.

In the Soviet Union the working class won political power for itself. The October Revolution established the *rule of the proletariat*, the dictatorship of the working class. The working class strives to capture state power not merely for power's sake. State power in the hands of the proletariat is a means for building the new, socialist society.

"Its purpose is to create socialism, to do away with the division of society into classes, to make all members of society workers, to take away the basis for the exploitation of man by man. This purpose cannot be realized at once, it requires a fairly long transition period from capitalism to socialism, because the *reorganization* of production is a difficult matter, because time is required for all the radical changes in every field of life, and because the enormous force of petty-bourgeois and bourgeois habits in economic management can be overcome only by a long, persistent struggle. That is why Marx speaks of the entire period of the dictatorship of the proletariat as the period of transition from capitalism to socialism." (Lenin, *Collected Works*, Vol. XXIV, "Greeting to the Viennese Workers," p. 314, Russian ed.)

The transformation from capitalism to socialism cannot be accomplished at once. A fairly long *transition period* is unavoidable. During this period state power is in the hands of the working class, which is building socialism.

The dictatorship of the bourgeoisie means the repression of the vast majority of the population in the interests of a handful of parasites. The dictatorship of the proletariat means the repression of a small group of exploiters in the interests of the vast majority of the population, in the interests of the entire mass of toilers. The proletariat uses its dictatorship to destroy all vestiges of exploitation of man by man. On capturing political power the proletariat becomes the ruling class: it manages all socialised production, it crushes the resistance of the exploiters, guides the intermediate, vacillating elements and classes. Having become the ruling class, the proletariat begins the work of creating a system of society without classes, either ruling or subordinated, since there will be no classes or class distinctions whatever.

Under socialism the division of society into classes is done away with, abolishing class contradictions and the class struggle, doing away with the division into exploiters and exploited. But the road to classless, socialist society lies through a period of the *bitterest class struggle*.

Lenin has incessantly stressed the fact that the dictatorship of the proletariat is a period of long, persistent class struggle against the exploiters, against the remnants of the former ruling class. He wrote:

"Socialism is the abolition of classes. The dictatorship of the proletariat has done everything possible to abolish these classes. But it is impossible to destroy classes at once. Classes **have remained and will remain** during the period of the dictatorship of the proletariat. The dictatorship becomes unnecessary when classes disappear. They will not disappear without the dictatorship of the proletariat. Classes have remained, but **each of them** has changed its aspect under the dictatorship of the proletariat; also their interrelations have changed. The class struggle does not disappear under the dictatorship of the proletariat, it only assumes other forms." (*Ibid.*, "Economics and Politics in the Epoch of the Dictatorship of the Proletariat," p. 513, Russian ed.)

Having assumed other forms, the class struggle under the dictatorship of the proletariat becomes more persistent. And this is only to be expected: the former ruling classes will do anything to win back their lost position. The exploiters stop at nothing, are ready to commit the worst crimes against the interests of the vast majority of the toilers in order to prevent the end of their rule.

"The abolition of classes is a matter of a long, difficult and stubborn **class struggle**, which, after the overthrow of the rule of capital, **after** the destruction of the bourgeois state, **after** the establishment of the dictatorship of the proletariat, does **not disappear**, but only changes its form, becoming, in many respects, more bitter." (*Ibid.*, "Greeting to the Viennese Workers," p. 315, Russian ed.)

The entire history of socialist construction in the U.S.S.R. brilliantly illustrates the truth of this principle expressed by Lenin. The tremendous victories of socialist construction have been achieved in the process of an unremitting and most bitter struggle against all the remnants of the old order of exploitation. The Soviet Union achieved most important and decisive victories over

all the forces of the bourgeoisie. But the resistance of the latter grows stronger. Their methods of struggle against socialism become more vile. Having suffered total defeat in open battle, the kulaks, traders, all the remnants of the previous exploiting classes, try to sneak into Soviet enterprises and institutions and attempt to undermine the powerful socialist structure by means of sabotage, thievery, etc. The most wide-awake vigilance on the part of the proletariat, the utmost strengthening of the proletarian dictatorship are therefore essential.

"A strong and powerful dictatorship of the proletariat - that is what we must have now in order to shatter the last remnants of the dying classes and to frustrate their thieving designs." See Stalin, *Leninism*. "The Results of the First Five Year Plan," p. 437.

Classless society cannot come of itself. It must be won. For this purpose it is necessary actively to overcome the tremendous difficulties on the road to socialism. It is necessary to crush the resistance of all the relics of the old exploiting system. It is necessary to mobilise the energy and activity of the millions of builders of socialism. It is necessary to resist any and all deviations from the general line of the Party. Unfailing alertness is necessary with respect to all attempts at distorting the Marxist-Leninist teaching. The dictatorship of the proletariat is that power which accomplishes the building of classless socialist society. The dictatorship of the proletariat is the leading force in the society that builds socialism. Therefore, in studying the transition from capitalism to socialism, in studying the structure of socialism, the dictatorship of the proletariat is the centre of attention of political economy.

The bourgeoisie is interested in hiding the laws of the inevitable decline of capitalism and victory of communism. Bourgeois professors of economics - these "learned henchmen of the capitalist class," as Lenin expresses it - serve capitalism truly and faithfully, glossing over and embellishing the system of oppression and slavery. Bourgeois economists mask and befog the real laws governing capitalist production. They try to perpetuate capitalism. They depict capitalism as the only possible order of social life. According to them the laws of capitalism are eternal and immutable. By such falsehoods they try to save capitalism from its inevitable destruction.

At the head of the revolutionary struggle of the working class stands the *Communist Party*. Only firm leadership on the part of the Communist Party ensures the victory of the proletariat. All the enemies of communism

venomously hate the Communist Party. They strive in every way possible to split it, to destroy its unity, and rejoice at any deviation from its general line within the ranks of the Party.

Political economy is a sharp weapon in the struggle against capitalism, in the struggle *for communism*. Political economy, like all sciences, and primarily sciences dealing with human society and the laws of its development, is a *class science*.

The proletariat is surrounded by hosts of enemies. A bitter class struggle is in progress. In this struggle all attacks upon the general line of the Communist Party, all attempts to undermine it either in theory or in practice bring grist to the mill of the enemy. That is why a vigilant and unrelenting struggle must be maintained against all deviations from the general line of the Party, a struggle against open Right opportunism as well as against all kinds of "Left" deviations.

*Counter-revolutionary Trotskyism* is of special service to the bourgeoisie in its struggle against the revolution, in its preparations for a new intervention against the U.S.S.R. As one of the varieties of social-democracy, Trotskyism particularly furnishes the imperialist bourgeoisie with all sorts of slanderous fabrications about the revolutionary movement in various countries and about the Soviet Union. Trotskyism is an advance post of the counter-revolutionary bourgeoisie.

Stalin in his letter of the autumn of 1931 to the editors of the Russian magazine, *Proletarskaya Revolyutsia* (*The Proletarian Revolution*) entitled "Questions Concerning the History of Bolshevism," [See Stalin, *Leninism*, pp. 388-400] called the attention of the Communist Party to the necessity of a relentless struggle against all the attempts of an ideology hostile to Leninism to penetrate into the Communist Party, and particularly to the necessity of a determined resistance to all sorts of attempts "to smuggle the disguised Trotskyist rubbish into our literature." The representatives of trends hostile to the proletariat now try to smuggle in their views subtly, unnoticeably. All such attempts must be vigorously resisted. Any show of toleration towards these hostile views, any rotten liberalism with respect to them, is a direct crime against the working class and its struggle for socialism.

The class enemies of the proletariat try in every way to misconstrue political economy and to adapt it to serve their own interests. Bourgeois and Social-Democrat economists trump up all sorts of concoctions in an

attempt to save capitalism. They also try to make use of political economy for their own ends in their struggle against the Soviet Union.

One of the most important tasks in the study of political economy, therefore, is to conduct a relentless struggle against all anti-Marxian and deviationist trends.

### **Review Questions**

1. What aim does Marxism-Leninism set before the proletariat?
2. How do the productive forces of society change?
3. In what way do the various systems of social production differ?
4. What are classes?
5. How does the abolition of classes take place?
6. What is the subject of study of political economy?
7. Of what importance is the study of revolutionary theory to the proletariat?
8. Why is political economy a class science?
9. Of what does the Party character of political economy consist?

A. Leontiev

## POLITICAL ECONOMY - A Beginner's Course

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### Chapter 2 – How Did Society Develop To Capitalism?

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The Russian Revolution of October (November) 1917 opened up a new chapter in the history of mankind. It set as its aim the building of socialism. Under socialism, the exploitation of man by man is done away with. The task of the second five-year period, upon which the U.S.S.R. entered in 1933, is the building of a classless, socialist society.

In his speech to the congress of collective farm shock-brigade workers in February 1933, Comrade Stalin said:

*"The history of nations knows not a few revolutions. But these revolutions differ from the October Revolution in that they were one-sided revolutions. One form of exploitation of the toilers made way for another form of exploitation, but exploitation, as such, remained. Certain exploiters and oppressors made way for other exploiters and oppressors, but exploitation and oppression, as such, remained. The October Revolution alone set itself the aim - of abolishing **all** exploitation and of liquidating **all** exploiters and oppressors."*

In order to understand thoroughly the full significance of the struggle for a classless, socialist society, it is necessary to know the essence of class society. It is necessary to remember of what classes society is constituted under capitalism. One must keep in mind what classes are and clarify the question as to whether classes have always existed. One must understand in just what way capitalist society differs from all other forms of class rule. Finally, one must thoroughly master the questions as to what course the struggle of the working class must follow in order to destroy capitalist slavery, and as to what the laws of development and decay of the capitalist system are.

The menials of capitalism do their utmost to prove that the division of society into classes is inevitable. It is important to the defenders of the moneybags to depict things as if the existence of exploiters and exploited were an eternal and necessary condition for the existence of any society. As far back as in ancient Rome, when the

exploited rebelled against their masters, a certain defender of the ruling class told a fable in which he compared society with the organism of an individual; just as in the individual, presumably, hands exist to do the work, and the stomach to take food, just so must society have people to do all the work and others to take the fruit of the workers' labour. As a matter of fact all the later apologists of the rule of the exploiting classes, in their struggle against the destruction of the system of exploitation of man by man, have not gone very much further than this miserable fable.

In reality it has been incontrovertably proven that the human race lived for many thousands of years without class division, class rule or exploitation. As is well known, man evolved from the animal kingdom countless ages ago. Man has never lived segregated, by himself, but always in groups. During the first stages of human development these groups were small. What united the individual members of such groups? It is clear that what united them was their common struggle for existence, their common labour in obtaining food.

Man had to conduct his struggle with nature during the primitive stages of development under exceedingly difficult conditions. A stick and a stone were all the "instruments" man was limited to for many thousands of years. Numerous dangers surrounded him at every step. He was almost powerless against the tremendous forces of nature, about whose laws he knew nothing at all.

Under these circumstances men lived in small communities, clans. They worked in common and used the fruit of their joint labour in common also. There could be no inequality at these low stages of human development since people got only enough products by hunting, herding cattle or very primitive agriculture for a bare existence.

All peoples lived in such primitive clan communities during the first periods of their development. Such primitive clan communities, or communes, continued to

exist even up to very recent times in many remote corners of the earth which remained uninfluenced by the more developed countries. The pressure of the European bourgeoisie, which grabbed all these corners of the earth, of course worked havoc with such organisation. A thousand or fifteen hundred years ago, however, the forefathers of some of these Europeans also lived in such a primitive clan system.

Thus we see that up to the rise of class division in society, *primitive clan communism* prevailed. There were different forms of this system among different tribes and peoples. But, irrespective of these differences, the primitive stage of development of all peoples shows a complete similarity in the principal features of social organisation.

The first stages of social development, in which primitive communism existed, proceeded at an exceedingly slow rate of evolution. During hundreds, even thousands of years, conditions of life practically did not change or changed extremely slowly. Man took the first steps in his development with tremendous difficulty. Generation followed generation and social conditions did not change noticeably. Very slowly indeed man learned to perfect his tools and his methods of work.

What were the social relations under primitive communism? The primitive community or clan was usually small in numbers: with the technical development existing at the time a large clan could not hope to feed all its members. Labour in such a community was organised more or less according to a plan. All members of the community had definite occupations. The men, for instance, hunted. The women stayed at home with the children and also had to till the soil. Upon returning from the hunt the game was divided according to established, time-honoured custom.

*"The population was very small in numbers. It was collected only on the territory of the tribe. Next to this territory was the hunting ground surrounding it in a wide circle. A neutral forest formed the line of demarcation from other tribes. The division of labour was quite primitive. The work was simply divided between the two sexes. The men went to war, hunted, fished, provided the raw material for food and the tools necessary for these pursuits. The women cared for the house, and prepared food and clothing; they cooked, wove and sewed. Each sex was master of its own field of activity: the men in the forest, the women in the house. Each sex also owned the tools made and used*

*by it; the men were the owners of the weapons, of the hunting and fishing tackle, the women of the household goods and utensils. The household was communistic, comprising several, and often many, families."* (Especially on the northwest coast of America; see Bancroft. Among the Haidahs of the Queen Charlotte Islands some households gather as many as 700 members under one roof. Among the Nootkas whole tribes lived under one roof."—F.E.)

*"Whatever was produced and used collectively, was regarded as common property: the house, the garden, the long boat."* See Engels, *The Origin of the Family*, p. 180.

Under conditions of primitive communism there could be no place for social groups living on unearned income. There was no exploitation of one part of the community by another in the framework of primitive communism. At that stage of human development, the instruments of labour were very simple, so that there could be no question of private property in tools: everyone was able, without much labour, to prepare for himself a spear, a stone, a bow and arrow, etc. At the same time there was no private property in land, the land was the common property of the entire community, the clan. It was just this remnant of communal land ownership that proved most enduring among the peasantry even ages after the development of class division in society. During later stages of social development the village community was frequently maintained artificially by the exploiters and the class state in order to facilitate the exploitation of the peasantry, collect taxes, etc. In other cases, on the contrary, the ruling classes destroyed communal life in the village in order to clear the field for the free development of capitalism.

Communal ownership of land remained even after agriculture had become the predominant, the principal form of labour. The land which was given to individual peasant families to cultivate was redistributed from time to time. It remained the communal property of the village and was frequently distributed among the various households by means of drawing lots. Communal ownership of pasture land remained even longer. A common pasture for the entire village was by no means rare even after the rule of capital had been established.

Thus, before the rise of class distinctions in society *primitive clan communism* prevailed. In this order of society also there were various features peculiar to the

different peoples and tribes. However, in spite of these peculiarities, the primitive stage of development among all peoples bore the greatest similarity in the fundamental attributes of the system of society.

Bourgeois scientists, afraid of communism and the abolition of private property, try to represent things as if the existence of society and even of man himself is inconceivable without private property. The actual history of human society refutes this fabrication of the servants of capitalism most unequivocally. As a matter of fact, private property, like the division of society into classes, appears only at a comparatively late stage of social development. People lived for many thousands of years without the least conception of private property.

Under primitive communism there was no *state*. The state appeared later, with the rise of private property and the division of society into classes. Lenin in his lecture on the state said the following:

*"In primitive society, when people lived in small clans, in the lowest stage of their development, in a state near to savagery, in the epoch from which modern civilized man is separated by several thousands of years, at that time there were as yet no signs of the existence of the state." This "was the time when there was no state, when social connections, society itself, discipline and the labour distribution were maintained by the force of custom, traditions, by the authority or respect enjoyed by the elders of the clan or the women, who at that time not only had equal rights with men, but sometimes even greater rights, when there was no specific category of specialists to rule. History shows that the state is a special apparatus for the coercion of people, coming into being only where and when there has been a division of society into classes - that is, a division into such groups of people of which one can constantly appropriate the labour of others, where one exploits the other." (Lenin, Collected Works, Vol. XXIV, "On the State," pp. 365-66, Russian ed.)*

We thus see that the division of society into a class of exploiters and a class of exploited is not at all an eternal and inevitable feature of each and every social system. On the contrary, we see that society existed for a very long period of time without knowing anything of classes, or exploitation, or private property.

In primitive times man proceeded very slowly upon the road of development, but nevertheless there was progress. Human society never remained in a totally static condition. Tools slowly but surely were perfected.

People learned to use the previously incomprehensible forces of nature. The discovery of fire played a tremendous role. Then the savages learned to make a bow and arrow for hunting purposes. Having begun with a stick and a stone, man gradually learned to make the stick into a spear and to grind the stone so as to make it better adapted for hunting purposes. A new stage was reached when the art of pottery making was achieved, when man learned to make vessels from clay. The taming of the first domestic cattle and the cultivation of grain played a tremendous part. Thus cattle-raising and agriculture began. With the discovery of how to smelt iron from the ore, and the invention of writing, the primitive period ends and the era of civilisation begins. In the *Manifesto of the Communist Party*, Marx and Engels have written that beginning with this point the entire history of human society is the history of class struggles.

How did classes originate? The appearance of classes is most closely connected with the entire process of social development. The domestication of cattle leads to the separation of cattle-raising tribes from the remaining masses of the clan groups in primitive society. This is the first great social division of labour. From this point on different communities have different products. The cattle-herding tribes have the products of cattle-raising: animals, wool, meat, hides, etc. A basis is established for the exchange of products among the tribes. At first the exchange is conducted by the elders of the clan communities; cattle is the main article of barter. Barter at first takes place at points where various tribes meet; barter takes place, at first, between different communities and not between separate members of the communities.

At the same time, with the growth of the population, the old methods of work prove inadequate. The ever increasing number of people cannot feed themselves by means of these methods. There is a beginning of plant cultivation - the first steps in agriculture. Tilling of the soil, under those circumstances, inevitably brings about a much closer connection of some families with their part of the cultivated land. Thus the basis for private property is laid.

*"The increase of production in all branches - stock-raising, agriculture, domestic handicrafts - enabled human labour power to produce more than was necessary for its maintenance. It increased at the same time the amount of daily work that fell to the lot of every member of a gens, a household or a single family. The*

*addition of more labour power became desirable. It was furnished by war; the captured enemies were transformed into slaves. Under the given historical conditions, the first great division of social labour, by increasing the productivity of labour, adding to wealth, and enlarging the field of productive activity, necessarily carried slavery in its wake. Out of the first great division of social labour arose the first great division of society into two classes - masters and slaves, exploiters and exploited." See Engels, *The Origin of the Family*, p. 183.*

To the extent that man masters new forms and methods of labour, a further development of the division of labour takes place. People learn to make utensils, all kinds of tools, various kinds of weapons, etc. This gradually brings about the separation of artisanship from agriculture. All this greatly widens the basis for the development of exchange.

The dissolution of primitive communism leads to the transfer of cattle from communal to private ownership. Land and tools also become private property. With the inception of private ownership the basis is laid for the rise and growth of inequality.

*"The distinction between rich and poor was added to that between free men and slaves. This and the new division of labour constitute a new division of society into classes." Ibid., p. 186*

With the decay of primitive communism the division into exploiters and exploited arises in society. People appear who live upon the labour of others. The exploitation of one class by another - that is what characterises the different stages of development of class society. The forms of exploitation, however, the methods by means of which one class lives at the expense of another, change with the different stages of development.

"Slavery, which reaches its highest development in civilisation, introduced the first great division of an exploited and an exploiting class into society. This division continued during the whole period of civilisation. Slavery is the first form of exploitation characteristic of the antique world. Then followed serfdom in the Middle Ages, and wage labour in recent times. These are the three great forms of servitude characteristic of the three great epochs of civilisation. Their invariable mark is either open or, in modern times, disguised slavery." (*Ibid.*, p. 201).

We have already seen that classes differ in their position within a definite system of social production, according to their relations to the means of production. Each of the three main forms of society based on exploitation - slavery, serfdom and capitalism - has, in this respect, its own individual features. Every one of these forms of the exploiting society is distinguished by its own structure of social production, its own type of production relations.

The system of slavery is met with in the most diverse epochs of the history of mankind. Slavery is the most ancient form of exploitation. It occurs upon the very threshold of the written history of human society.

Under slavery the exploited class is the property of the exploiters. The slave belongs to his owner just as a house, land or cattle. In ancient Rome, where slavery flourished, the slave was called a "talking tool," as distinguished from "mute tools" and "semi-mute tools" (cattle). A slave was considered a chattel belonging to his master who did not have to answer for the murder of his slave. The slave-owner considered the slave as part of his property, and his wealth was measured by the number of slaves he owned. The slave-owner made his slave work for him. Slave labour is labour performed under compulsion, under threat of punishment. Slave labour was distinguished by its low productivity. Technical improvement was exceedingly slow under conditions of slavery. The tremendous structures built with slave labour were erected by means of the muscular effort of colossal armies of slaves who worked with the simplest kind of tools. The slave-owner had no reason to try to lighten the labour of the slaves.

What is the limit of exploitation under slavery? Under slavery not only the tools and instruments of labour belong to the slave-owner, but the labourer himself. The slave is the property of his master. The slave-owner feeds and maintains his slaves because the death of a slave is a loss to him, decreases his wealth. So long as the exchange of products was undeveloped, every slave-owner made his slaves produce only the things needed within his own estate. The life of the ruling classes under slavery was characterised by an insensate luxury and waste. But however great the luxury, there were limits to slave labour, as beyond a certain definite amount excess products could not be utilised. Under slavery the growth of wealth is circumscribed within comparatively narrow limits. This

is what caused the dearth of technical development under the system of slavery.

Together with class dominance the *state* comes into being as an apparatus of coercion, compelling the majority of society to work for the exploiting minority. In the slave-owning society of old the state was confined in a narrower frame than it is at the present time. Means of communication were still little developed, mountains and seas presented obstacles which were difficult to surmount. Various forms of the state - the monarchy, the republic, etc. - were already present under slavery. Nevertheless, whatever the form of the state was, it still remained an organ of the dominance of the slave-owners. Slaves in general were not regarded as members of society.

Slave-owning society, particularly in ancient Greece and ancient Rome, reached a high level of scientific and artistic development. However, it was a culture erected on the bones of countless masses of slaves.

During periods of frequent wars the number of people who were made slaves often grew tremendously. The lives of the slaves were extremely cheap and the exploiters made their conditions of life altogether intolerable. The history of slavery is one of bloody struggle between the exploiters and the exploited. Uprisings of slaves against their masters were suppressed with merciless cruelty.

Slave revolts shook slave-owning society to its very foundations, particularly in the last period of its existence. Having conquered a series of countries in the most remote corners of the world as it was then known to the Romans, the Roman Empire had attained to enormous power, when it began to totter more and more under the stress of the contradictions that were rending the whole fabric of the society of that time. Especially famous is the slave rebellion which broke out in Rome about two thousand years ago under the leadership of Spartacus, who mobilised a huge army against the regime of the slave-owners. The revolts of the slaves could not bring victory to the exploited, could not put an end to exploitation in general. The slaves were not in a position to set themselves a clearly perceived goal. They could not create a strong organization to lead their struggle. Frequently the slaves were mere pawns in the hands of the various factions of the ruling class who were fighting among themselves. Nevertheless, the civil war and the slaves' revolts dealt a severe blow to the slave-owning order of society and prepared the soil for its destruction.

However, in place of slavery a new form of the exploitation of man by man appeared. This form, which prevailed during the Middle Ages, was *feudalism*, the last stage of whose development was *serfdom*. Feudalism underwent a comparatively long process of development. Under feudalism the tremendous mass of the peasantry was exploited by a small group of feudal barons. The barons took into their own hands the supreme power over the land worked by the peasants. For the right of working the land, the peasants had to submit to a host of feudal services for their lords. So long as natural economy prevailed, *i.e.*, production for direct use and not for exchange, feudal exploitation was circumscribed by comparatively narrow limits. The feudal lords took a certain amount of the agricultural products from the peasants for their own use. The greater part of these products were used up by the lord and his armed guard, and only a small portion went in exchange for arms, some overseas goods, etc. The development of exchange, however, led to a gradual increase in the appetites of the feudal lords. Now they not only squeezed from the peasant the tribute that went for the use of the lord and his menials, but the amount of tribute exacted for purposes of exchange for other goods continually grew. As the exchange of goods developed, the possibilities for increased exploitation of the peasantry by the feudal lord became greater. The growth of exchange destroyed the old patriarchal relations between the feudal lord and the peasants dependent upon him and led to the rise of serfdom.

Serfdom represents a form of the severest kind of exploitation of the peasantry by the landlords. Under serfdom the basic means of production - the land - is in the hands of the landlords. The landlords appropriate the land which has been tilled by a number of generations of peasants. But they are not content with this. Taking advantage of the powers of the state which is also in their hands, the landlords turn the previously free peasants into their serfs. The peasants are attached to the land and become practically the property of the landlord.

Trying in every way to augment their income, the landlords increase the exploitation of their serfs. Exchange is already fairly well developed at the time of serfdom. Overseas trade takes on considerable proportions. Merchants furnish the serf-owning land lords with all kinds of overseas goods. Money becomes more and more important. In order to get more money the serf-owner squeezes more and more labour out of



his peasants. He takes away land from the peasants, limits their allotments, and, in place of these, sets up his own fields upon which he makes these same peasants work. *Corvée* service is introduced: the peasant must work the lord's field for three to four days a week and can work his own allotment only on the other days. In other cases the serf-owning landlords appropriate ever increasing parts of the harvest from the peasants' fields by the system of making the peasants pay *quit-rent*.

The exploitation of the serfs evoked the bitterest struggles of the peasants against their landlords. The history of every country shows a great number of peasant rebellions. There were peasant uprisings in many countries during the period of serfdom (in Germany, France, England, Russia). Some of these uprisings lasted for decades. For tens of years these countries were in the throes of civil war. The uprisings were suppressed mercilessly by the landlords and their governments. This struggle of the peasants against the landlords was utilised by the rising bourgeoisie in order to hasten the fall of serfdom and to substitute capitalist exploitation for serf exploitation.

Here is what Stalin says about the substitution of one social form for another:

"The revolution of the slaves liquidated slavery and abolished the slave form of exploitation of the toilers. In its place it introduced the feudal rulers and the serf form of exploitation of the toilers. One set of exploiters took the place of another set of exploiters. Under slavery the 'law' permitted the slave-owner to kill his slaves. Under the serf system the 'law' permitted the serf-owner 'only' to sell his serfs.

"The revolution of the serf peasants liquidated the serf-owners and abolished the serf form of exploitation. But in place of these it introduced the capitalists and landlords, the capitalist and landlord form of exploitation of the toilers. One set of exploiters took the place of another set of exploiters. Under the serf system the 'law' permitted the sale of serfs. Under the capitalist system the 'law' permits the toilers 'only' to be doomed to unemployment and poverty, to ruin and death from starvation.

*"It was only our Soviet revolution, only our October Revolution that put the question, not of substituting one set of exploiters for another, not of substituting one form of exploitation for another - but of eradicating all exploitation, of eradicating all and every*

*kind of exploiter, all and every kind of rich man and oppressor, old and new."* See Stalin, *Leninism, -Speech delivered at the First All-Union Congress of Collective Farm Shock Workers,* p. 457.

We have already seen that exchange originated in the very ancient times of human history. Together with the first steps in the division of labour in society, the foundation was laid for the rise of exchange. At first exchange took place only between neighbouring communities; each exchanged its excess products for those of the other. However, having originated at the border between communities, exchange soon exerted a destructive influence upon relations within the community. Money appeared. At first those products which were the principal objects of exchange served as money. Thus in many cases when exchange took place with cattle-raising clans or tribes, cattle served as money. The wealth of a tribe - and after the appearance of private property, the wealth of an individual - was measured by the number of head of cattle owned.

Natural production, however, prevailed for a long time after the rise of exchange. The production of goods not intended for exchange is called *natural production*. On the other hand, the production of goods for sale on the market, for exchange, is called *commodity production*.

It is natural production which prevails during slavery and feudalism. Pre-capitalist forms of exploitation arise and develop on the basis of the prevalence of natural production. Only the gradual development of exchange undermines the foundations of these forms of society. Here is what Engels says about this stage of development:

*"We all know that in the early stages of society products were used by the producers themselves and that these producers were organized spontaneously in more or less communistic communities; that the exchange of surplus products with outsiders, which is the prelude to the transformation of products into commodities, is of later date, at first occurring only between individual communities belonging to different tribes, but later coming into effect also within the community and materially helping to break them up into larger or smaller family groups. But even after this breaking up, the heads of families conducting exchange remained working peasants producing almost everything necessary to satisfy all their demands within their own economy with the help of the members of the family and obtaining only an insignificant part of objects of necessity from outside in exchange for surplus*

*products of their own. The family is not only occupied in agriculture and cattle-raising, it also works up the product from these into articles ready for use; in places it still grinds flour with the hand mill, it bakes bread, spins, dyes, weaves linen and wool, tans leather, erects and repairs wooden houses, makes tools and instruments of labour, often does carpentry and forge work, so that the family or family group is, in the main, self-sufficient.*

*"The few things such a family has to obtain by exchange or purchase from others consisted, even as late as the beginning of the nineteenth century in Germany, mainly of the products of artisans, i.e., of such things as the peasant is not at all incapable of preparing himself but which he did not produce himself only because either the raw material was not accessible to him or because the purchased article was much better or very much cheaper." See Engels, *On Capital*, pp. 102-3.*

Thus natural production prevails not only under slavery and in the Middle Ages, but also under new conditions. Commodity production is by no means prevalent at the inception of capitalism. Only the development of capitalism strikes a mortal blow at natural production. Only under capitalism does commodity production, production for sale, become the decisive, the predominant form of production.

Within pre-capitalist society, commodity production develops to an ever greater extent together with an increase in the division of labour. Of particular significance is the separation of handicraftsmanship from agriculture. Whereas the peasant agriculturist conducts his husbandry mainly as natural production, the same cannot be said of the artisan. Handicraftsmanship is, from the very beginning, clearly of a commodity-producing character. The artisan producing a pair of boots or a set of harness, a plough or horseshoes, clay or wooden vessels, works from the very start for the market, for sale. But unlike commodity production under capitalism, the artisan works with instruments of labour which are his own. As a rule he applies only his own labour power. Only later, with the development of cities, does the artisan begin to hire apprentices and journeymen. Finally, the artisan usually works upon local raw material and sells his commodities in the local market. When things are produced for sale on the market but without wage labour we have *simple commodity production* as distinguished from capitalist commodity production.

"Previous to capitalist production," says Engels, "that is to say, in the Middle Ages, small-scale production was general, on the basis of the private ownership by the workers of their means of production: the agricultural industry of the small peasant, freeman or serf, and the handicraft industry of the towns. The instruments of labour - land, agricultural implements, the workshop and tools - were the instruments of labour of individuals, intended only for individual use, and therefore necessarily puny, dwarfish, restricted." Engels, *Herr Eugen Dühring's Revolution in Science*, p. 295.

Wherein lies the difference between simple commodity production and capitalism? The artisan, handicraftsman, small-scale farmer own their tools, raw material and means of production. They work by themselves, producing their goods with the aid of these means of production. Under capitalism it is different. There the plants and factories belong to the capitalist and in them work hired labourers who do not have their own means of production. Simple commodity production always precedes capitalism. The capitalist system could not arise without simple commodity production. The latter prepares the way for capitalism.

In its turn the development of simple commodity production inevitably leads to capitalism. Small-scale commodity production gives birth to capital.

One of the misinterpretations of Marxism is the attempt to deny the existence of simple commodity production as the historical precursor of capitalism. The political significance of this distortion of Marxism is clear. The fact of the matter is that even in the period of the prevalence of capitalism throughout the world many remnants of the former system still remain, a great number of the elements of simple commodity production, many millions of small peasants, artisans and handicraftsmen. These masses of petty commodity producers, independent in appearance, but in reality groaning under the unbearable yoke of capitalism, constitute a reserve from which the proletariat draws its allies in the struggle for the socialist revolution. The distortion of the role and significance of simple commodity production forms a basis for the negation of the role of the basic mass of the peasantry as an ally of the proletarian revolution. This distortion lies at the basis of the counter-revolutionary theory of Trotskyism.

The attempt to separate simple commodity production from capitalism by a sort of Chinese Wall is a no less crude distortion of Marxist-Leninist theory. Lenin

constantly stressed the fact that small-scale commodity production daily, hourly, gives birth to capitalism. The negation of this principle leads, for instance, under conditions prevailing in the U.S.S.R., to views like those held by the Right opportunists who advocated the perpetuation of small-scale production in the village, leads to a lack of understanding of the necessity of the socialist transformation of the village on the principles of large-scale social production.

Capitalism originated within the feudal-serf system. The oldest forms of capital are commercial and usurer capital. The merchant played an ever more important role as exchange developed within the old natural economy. The merchant capitalist furnished the serf-owning landlords with all kinds of luxuries, making much profit thereby. Part of the tribute which the landlord squeezed out of his serfs thus found its way into the pockets of the merchant - the representative of commercial capital. With the development of commerce, usury also flourished. Great lords - landlords, kings, governments - needed increasing sums of money. The mad luxury and waste, the endless wars devoured tremendous sums of money. Thus the basis arose for the activities of moneylenders. Lending money to the feudal lords at exorbitant interest, the usurer grabbed a large share of the tribute squeezed out of the labour of the serfs.

Commercial and usurer capital taking firm root in the life of feudal society unflinchingly undermined and broke down the foundations of this society. With the growth of commerce the exploitation of the serfs by the landlords grew continually stronger. The excessive exploitation undermined the foundations of serfdom - peasant economy. It was impoverished, the peasants became paupers leading a hungry existence, incapable of giving a large income to the landlord. At the same time usurer capital grasped the feudal estate in its tentacles, squeezing the life out of it. The decay of serfdom prepared the way for the rise of capitalist production.

Commercial capital at first engaged only in trade. Commerce was carried on with the products furnished by artisans and serfs as well as with products imported from distant countries. With the growth of commerce, however, these sources of products became inadequate. Small-scale handicraft production could supply only a limited mass of commodities, sufficient merely for the local market. When commerce began to operate in more distant markets the necessity arose for extending production.

But only capital could secure such an extension of production. Small-scale commodity production was powerless here; its possibilities were narrowly circumscribed. A transition then took place from small-scale to capitalist production, which destroyed the pre-capitalist forms of exploitation only to substitute for them the last form of exploitation of man by man - capitalist exploitation.

Here is how Lenin describes this transition from small-scale production to capitalism:

*"Under the old conditions almost all the wealth was produced by small masters who represented the overwhelming majority of the population. The population lived stationary lives in villages and produced the greater part of their products either for their own use or for a small market consisting of the surrounding villages which had little connection with neighbouring markets. These same small masters worked for the landlords who compelled them to produce products mainly for their (the landlords') own use. The home-made materials were given to be made up into articles to artisans who also lived in the villages or else travelled about the neighbourhood taking work to do.*

*"Since the emancipation of the serfs', however, the conditions of life of the mass of the people have undergone a complete change: big factories have arisen to take the place of the small artisans' workshops and the number of these factories has grown with remarkable rapidity; they have squeezed out the small masters and transformed them into wage workers, they have compelled hundreds and thousands of workers to work together and produce enormous quantities of goods which are sold over the whole of Russia." (Lenin, Selected Works, Vol. I, "Draft and Explanation of the Programme of the Social-Democratic Party," pp. 471-72, Moscow, 1934).*

*"The place of small production everywhere is taken by large-scale production, and in the latter the masses of workers are simply hired labourers who work for wages for the capitalist, who owns large amounts of capital, builds large workshops, buys large quantities of raw materials and who puts into his own pocket the profit obtained from the mass production carried on by the combined workers. Production becomes capitalist production which ruthlessly crushes all the small masters, breaks up their stationary life in the villages and compels them to wander from one part of the country to another as mere labourers, to sell their labour power to*

*the capitalist. A continuously increasing part of the population becomes completely divorced from the country and from agriculture, and collects in the towns and factory and industrial villages and there forms a special class which owns no property, a class of proletarians who live only by selling their labour power."* (Ibid., p. 473.)

### **Review Questions**

1. How did people live before the appearance of class society?
2. How did classes originate?
3. What are the basic historical forms of class exploitation?
4. What are the relations between the exploiters and the exploited under the system of slavery?
5. What are the relations between the exploiters and the exploited under the system of serfdom?
6. What is the distinguishing feature of capitalist exploitation?
7. How does exchange arise and develop?
8. Why does small-scale commodity production give rise to capitalism?

A. Leontiev

## POLITICAL ECONOMY - A Beginner's Course

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### Chapter 3 – Commodity Production

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#### 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 increase 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 himself. 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 the 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 not 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 electro-technical 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 proportion (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 time 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 compare 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 la-

bour, 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 gets 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:

$1 \text{ skin} = 2 \text{ spears} = 1 \text{ pair of shoes} = 1 \text{ oar} = 1 \text{ piece of cloth} = 1 \text{ sack of corn, etc.}$

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:

$1 \text{ boat} / 3 \text{ pairs of shoes} / 3 \text{ sacks of corn} / 20 \text{ arrows, etc}$

$= 1 \text{ ox.}$

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 peo-

ple 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 starve without bread. If the price of boots falls - he can buy so much less bread. Why cannot the cobbler sell the boots, or why does 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 time 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  $\Sigma$  [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?