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Das Kapital: a Criticism

Source: *To-day* October 1884, pp. 388-411.
Transcribed: by Steve Palmer.
Markup: by Steve Palmer.

I have long wished to lay before the disciples of Karl Marx certain theoretical objections to the more abstract portions of "das Kapital" which-suggested themselves to me on my first reading of that great work and which a patient and repeated study of it have failed to remove.

The Editors of *To-Day* with equal candour and courtesy, have given me the opportunity I sought; and my first duty is to thank them for opening the pages of their Review to a critical analysis of the teaching of the great Socialist thinker. The sense of obligation will be more than doubled if any student of Marx should think my criticisms deserving of a reply; for while making no illusions to myself as to the probability of serious and matured convictions being shaken, on either side, by such a controversy, I am none the less persuaded that in studying so profound and abstruse a work as "das Kapital," neither disciples nor opponents can afford to neglect the side lights that may be thrown upon the subject by any earnest and intelligent attempt to analyse and discuss it from a point of view differing from their own.

As a challenge, then, to a renewed study of the theoretical basis of "das Kapital" the following remarks may perhaps be regarded as not altogether out of place in *To-Day*, even by those Socialists who are most convinced that a vigorous propaganda rather than a discussion of first principles is the specific work to which the Socialist press is now called.

It has been held by Economists of the most widely divergent schools that the wages of manual labour normally tend, under existing conditions, to sink to a point at which they barely suffice to support existence and allow of reproduction; and that the only means (always under existing conditions) by which wages could be permanently raised would be a collective refusal on the part of the working-classes to live and propagate on the terms at present granted - *i.e.* a raising of the standard of minimum comfort. This position - which I do not stay to examine - is accepted by Marx (*Das Kapital* pp.155- 163 [73-75])[1]

But if his results coincide, in this respect, with those of the old school of Economics, the grounds on which he rests them are of course entirely different.

In the Malthusian philosophy the reason why wages steadily tend to the minimum allowed by the "standard of comfort" (*aliter dictum* - to starvation point) is sufficiently obvious. It is a law not of society but of nature. The point of "diminishing returns" has been reached and passed, and every additional labourer whom the increase of population throws upon the field reduces the average productiveness of labour, so that there really is less wealth per head to be consumed, and each labourer, of course, gets less for himself. This is supposed to go on until the labourers refuse to add to their numbers (standard of comfort check) or are unable to do so because their children can not live (starvation check).

On the monstrous assumptions of Malthusianism all this is obvious enough; but it need hardly be said that Marx does not grant these assumptions, and must therefore find some other explanation of the phenomenon they are called on to account for. It is not in the material environment of humanity, but in the social and industrial organisation of capitalistic societies that we must look, according to Marx, for the reasons that force men to accept starvation wages.

What is it, then, in the conditions of modern industrialism that compels the producers of all wealth to make such hard terms with the non-producers? What is it that constantly fills the markets with men willing and anxious to sell their "labour-force" for the wages of bare subsistence?

As far as I can see, Karl Marx gives two distinct and disconnected answers to this question. In the later portion of "das Kapital," (I speak of course of the single volume published), he shews how the alternate expansions and contractions of the several branches of industry, aggravated by the disturbances caused by the introduction of "labour-saving" machinery and so forth, tend constantly to throw upon the market a number of unemployed labourers, who will offer their "labor-force" to the purchaser at prices barely adequate to support existence. All this seems to me worthy of the most earnest attention; but it is not my present purpose to dwell upon it further; for according to Marx there is a deeper cause of the phenomenon we are examining, immanent in the very fact of the purchase of "labour-force" in the market at all, and essentially independent of any such influences as I have just referred to which may depress or disturb that market when once established. It is.to this alleged inherent necessity of "capitalistic"[2] production that I wish to direct attention.

I must ask leave to restate the main positions which lead up to Marx's conclusions in the order which will be most convenient for subsequent analysis. According to Marx, then, the (exchange) value of wares is determined by the amount of labour necessary on the average to produce them, and in the last resort their average selling price depends upon their value (pp. 52, 81, 151 *note* 37, &c. [30 a., 42 a., 70 b. *note*, &c.]) so that in dealing with normal relations we must always assume that whatever is sold or purchased, is sold or purchased at its full value and no more.

The manufacturer, then, must be supposed to sell his product at its value, which is as good as to say that he receives a sum of money for it representing the number of days of labour required to produce it. But he must also be supposed to have purchased all the machines, raw material, labour force, &c., necessary to production at their value, *i.e.*, he must have given as much money for them as represents the number of days of labour needed to produce them. Now if we take any one of these necessaries of production, such as the coal needed to work the engines, and enquire into the relation in which it stands to the value of the product, the problem seems to be a very simple one. In as much as a certain amount of coal must be burned before so much cotton cloth can be produced, the labour expended in getting the coal is in reality a part of the labour expended in producing the cotton cloth, and in estimating the value of the cotton cloth, we must reckon in so many days' labour expended in getting coal. The cloth, then, is more valuable than it would have been had the coal been unnecessary to its production by the precise amount of labour needed to produce the coal; but by hypothesis this is exactly represented by the money paid for the coal, so that the price of the coal (if purchased at its value) will reappear in the price of the cloth (if sold at its value) - so much *and* no more. The same reasoning will apply to the machinery, raw cotton, and so forth. The labour needed to produce each of these is labour needed to produce the cotton, and the fact that they are all necessary to the production of cotton enhances the value of cotton by precisely the amount of their own value - so much and no more. But when we come to labour-force, the case is different. Labour-force, like every other ware, has its value determined by the amount of labour needed to produce it. Now the amount of labour needed to produce, say, a day's labour-force, is the amount of labour needed to produce food, clothing, &c., adequate to maintaining the labourer in working condition for one day, allowance being made for the support of a number of children adequate to keeping up the supply of labourers, and so forth, Our capitalist then goes into the market and purchases labour force *at its value*,[3] We may suppose, for the sake of argument, that this value represents six hours' work, *i.e.*, that it would need so much work to provide the labourer with all things needful to keep him in working condition for one day. The capitalist, then, by expending a sum of money representing six hours' work has purchased at its value, and becomes the possessor of, a day's labour-force, It is now at his absolute disposal, and on the supposition that a man can work eight or ten hours a day without any undue strain upon his system, (so that the labour-force, the value of which the capitalist has paid, is labour-force capable of being applied over eight or ten hours), it is obvious that the capitalist will realise a gain of two or four hours' work. He (virtually) puts into the labourer (in the shape of food, clothing, &c.), a value representing six hours' work, trod in virtue of this transaction, he causes the Labourer to put eight or ten hours' work into the cotton. Hence the result that, though he buys all the things needful to the production of the cotton (including labour-force) *at their value*, and sells his cotton *at its value*, yet *more value comes out than goes in*. This more" is the "surplus value" to secure which is the capitalist's aim, and from which interest, rent and profit are ultimately cut out as so many slices.

The production and appropriation of this surplus value is, according to Marx, the immanent law of capitalistic production, and no mere incidental development of it. If the extraction of surplus value from the application of labour-force were rendered impossible, the capitalist would lose his sole motive for engaging in his peculiar form of production at all.

I believe this is a fair summary of Marx's argument, and if so, its essential positions are as follows:-

1st. The (exchange) value of a ware is determined by the amount of labour needed on the average to produce it.

2nd, There is such a degree of correspondence between the value of a ware and its average selling price, that for theoretical purposes we must assume that nominally wares are bought and sold at their values.

3rd. Labour-force is (in our industrial societies) a ware subject to the same laws and conditions of value and exchange as other wares.

Whether Marx's conclusions can be logically deduced from these positions or not is a question which I will not attempt to answer now, for I am concerned with the positions themselves. Against the second (when a correct definition of value has been reached) I have nothing to urge. It is the first and third that I wish to test.

With reference to the theory of value, it will be convenient to follow Marx in his fundamental analysis of the process of exchange.

He begins by pointing out that the fact of two wares being exchangeable (no matter in what proportion) implies of necessity both *Verschiedenheit* and *Gleichheit*, *i.e.*, that they are *not identical*, (else the exchange would leave things exactly where it found them), and that they are different manifestations or forms of a *common something*, (else they could not be equated against each other). In other words, things which are exchangeable must be *dissimilar in quality*, but yet they must have some common measure, by reduction to which the equivalent portions of each will be seen to be *identical in quantity*.

Now with regard to the qualitative dissimilarity, I do not see that there is any room for difference of opinion. It consists in the divergent nature of the services rendered by the respective wares. Cast-iron nails and new laid eggs differ in respect to their "value in use." They serve different purposes. Even a red and a blue ribbon, though they both serve purposes of adornment, are capable each of rendering some particular services of adornment under circumstances which would make the other a mere disfigurement. I agree with Marx, then, that the *Verschiedenheit* of the wares is to be found in the respective *Gebrauchswerth*; of each, or, as I should express it, *commodities differ one from another in their specific utilities*.

But in what does the *Gleichheit* consist? What is the *common something* of which each ware is a more or less? Marx replies that to get at this something, whatever it is, we must obviously set on one side all geometrical, physical, chemical, and other natural properties of the several wares, for it is precisely in these that they differ from one another, and we are seeking that in which they are all identical. Now in setting aside all these natural properties, we are setting aside all that gives the wares a value in use, and there is nothing left them but the single property of being *products of labour*. But the wares, as they stand, are the products of many *different kinds* of labour, each of which was engaged in conferring, upon them the special physical properties in virtue of which they possess specific utilities. Now to get at that in which all wares are identical we have been obliged to strip off all these physical properties in which they differ, so that if we still regard them as products of labour, it must he labour that has no specific character or direction, mere "abstract and indifferent human labour," the expenditure of so much human brain and muscle, &c. The *Gleichheit*, then, of the several wares consists in the fact that they are all products of abstract human labour, and the equation x of ware A=y of ware B, holds in virtue of the fact that it requires the same amount of abstract human labour to produce x of ware A or y of ware B (pp. 12, 13, Cf. 19, 23, sqq.[14b, 15a, Cf. 17a, 19 sqq.]).

Now the leap by which this reasoning lands us in labour as the sole constituent element of value appears to me so surprising that I am prepared to learn that the yet unpublished portions of "das Kapital" contain supplementary or elucidatory matter which may set it in a new light. Meanwhile the analysis appears to be given as complete and adequate, so far as it goes, and I can therefore only take it as I find it and try to test its validity. But instead of directly confronting it with what seems to be the true analysis of the phenomenon of exchange, I will follow it out a little further, and we shall see that Marx himself introduces a modification into his result, (or develops a half-latent implication in it), in such a way as to vitiate the very analysis on which that result is founded, and to lead us, if we work it out, to what I regard as the true solution of the problem.

A few pages, then, after we have been told that wares regarded as "valuables" must be stripped of all their physical attributes, *i.e.* of everything that gives them their value in use, and reduced to one identical spectral objectivity, as mere jellies of undistinguishable abstract human labour, and that it is this abstract human labour which constitutes them valuables, we find the important statement that *the labour does not count unless it is useful* (pp.15, 16, 64 [16a, 35a]). Simple and obvious as this seems, it in reality surrenders the whole of the previous analysis, for if it is only useful labour that counts, then in stripping the wares of all the specific properties conferred upon them by specific kinds of useful work, we must not be supposed to have stripped them of the abstract utility, conferred upon them by abstractly useful work. If only useful labour counts then when the wares are reduced to mere indifferent products of such labour in the abstract, they are still *useful* in the abstract, and therefore it is not true that "nothing remains to them but the one attribute of being products of labour (p.12 [14b]), for the attribute of being useful also remains to them. In this all wares are alike.

Armed with this result let us return to the fundamental analysis of the phenomenon of exchange.

The exchange of two wares implies a heterogeneity (Verschiedenheit) and a homogeneity (Gleichheit). *This is implied in the fact that they are exchangeable*. And here I must challenge the attention of students of "das Kapital" to the fact that the analysis by which "labour" is reached as the ultimate constituent element of (exchange) value, starts from the naked fact of exchangeability and is said to be involved in that fact. It is true that in the instances given by Marx the articles exchanged are wares, (*i.e.*, commodities which have been produced for the express purpose of exchange), and moreover wares which can practically be produced in almost unlimited quantities. It is true also that Marx elsewhere virtually defines value so as to make it essentially dependent upon human labour (p.81 [43a.])). But for all that his analysis is based on the bare fact of exchangeability. This fact alone establishes *Verschiedenheit* and *Gleichheit*, heterogeneity and homogeneity. Any two things which normally exchange for each other, whether products of labour or not, whether they have or have not what we choose to *call* value, must have that "common something" in virtue of which things exchange and can be equated with each other; and all legitimate inferences as to wares which are drawn from the bare fact of exchange must be equally legitimate when applied to other exchangeable things.

Now the "common something," which all exchangeable things contain, is neither more nor less than abstract utility, *i.e.*, power of satisfying human desires. The exchanged articles differ from each other in the specific desires which they satisfy, they resemble each other in the degree of satisfaction which they confer. The Verschiedenheit is qualitative, the Gleichheit is quantitative.

It cannot be urged that there is no common measure to which we can reduce the satisfaction derived from such different articles as Bibles and brandy for instance, (to take an illustration suggested by Marx), for as a matter of fact we are all of us making such reductions every day. If I am willing to give the same sum of money for a family Bible and for a dozen of brandy, it is because I have reduced the respective satisfactions their possession will afford me to a common measure, and have found them equivalent. In economic phrase, the two things have equal abstract utility for me. In popular (and highly significant) phrase, each of the two things is worth as much to me as the other.

Marx is therefore wrong in saying that when we pass from that in which the exchangeable wares differ (value in use) to that in which they are identical (value in exchange), we must put their utility out of consideration, leaving only jellies of abstract labour. What we really have to do is to put out of consideration the concrete and specific qualitative utilities in which they differ, leaving only the abstract and general quantitative utility in which they are identical.

This formula applies to all exchangeable commodities, whether produceable in indefinite quantities, like family Bibles and brandy, or strictly limited in quantity, like the "Raphaels," one of which has just been purchased for the nation. The equation which always holds in the case of a normal exchange is an equation not of labour, but of abstract utility, significantly called *worth*. The precise nature of this equation we shall presently examine; but let it be observed, meanwhile, that "labour" is indeed one of the sources (not the only one) alike of value in use (specific utility) and value in exchange (abstract utility), but in no case is it a constituent *element* of the latter any more than of the former. A coat is *made* specifically useful by the tailor's work, but it is specifically useful (has a value in use) because it protects us. In the same way, it is *made* valuable by abstractly useful work, but it is valuable because it has abstract utility.

Labour, in its twofold capacity of specifically useful work (tailoring, joinering, &c.) and abstractly useful work, confers upon suitable substances both *Gebrauchswerth* (value in use) and *Tauschwerth* (value in exchange), but it is not an element of either.

I venture to think that if any student of Marx will candidly re-peruse the opening portion of "das Kapital," and especially the remarkable section on "the two-fold character of the labour represented in wares" (pp. 16-21 [16-18]), he will be compelled to admit that the great logician has at any rate fallen into formal (if not, as I believe to be the case, into substantial) error, has passed unwarrantably and without warning, from one category into another, when he makes the great leap from specific utilities into objectivised abstract labour (p. 12 [14 b.]) and has given us an argument which can only become formally correct when so modified and supplemented as to accept *abstract utility* as the measure of value.

But to many of my readers this will appear to be an absurd and contradictory conclusion. 'When all is said and done,' they will think, 'we know that as a matter of fact the exchange value of all ordinary articles *is* fixed by the amount of labour required to produce them. It may be true that *I am willing to give* equal sums for A and B because they will gratify equally intense or imperious desires, but, for all that, the reason why *I have to give* equal sums for them, and why *I can get them* for equal sums is that it took equal amounts of labour to produce them; and the proof is that if owing to some new invention A could be made henceforth with half the labour that it requires to make B it would still perform the same service for me as it did before, and would therefore be equally useful *but its exchange-value would be less*.'

It is the complete and definitive solution of the problem thus presented which will immortalise the name of Stanley Jevons, and all that I have attempted or shall attempt in this article is to bring the potent instrument of investigation which he has placed in our hands to bear upon the problems under discussion. Under his guidance we shall be able to account for the *coincidence*, in the case of ordinary manufactured articles, between "exchange value" and "amount of labour contained," while clearly perceiving that exchange value itself is always immediately dependent, not upon "amount of labour," but upon abstract utility.

The clue to the investigation we are now to enter on is furnished by the combined effects of "the law of indifference" and "the law of the variation of utility." (See Jevons "Theory of Political Economy," pp. 98 and 49). By the former of these laws "when a commodity is perfectly uniform or homogeneous in quality, any portion may be indifferently used in place of an equal portion; hence, in the same market, and at the same moment, all portions must be exchanged at the same ratio"; and by the latter, each successive increrment of any given commodity (at any rate after a certain point has been reached) satisfies a less urgent desire or need, and has therefore a less utility than the previous increment had. For example, one coat possessed by each member of a community would satisfy the urgent needs of protection and decency; whereas a second coat possessed by each member would serve chiefly to satisfy the less urgent needs of convenience, taste, luxury, &c, Now in a community every member of which possessed two coats already, a further increment of coats would (ceteris paribus) satisfy a less urgent need, possess a less utility, and therefore have a lower exchange value than would be the case in a community each member of which possessed only one coat; and, by the "law of indifference," all coats (of identical quality) would exchange with other goods at this lower ratio. 'Thus the abstract utility of the last available increment of any commodity determines the ratio of exchange of the whole of it. The importance of these facts in their bearing on our problem, I must endeavour briefly to indicate, while referring to Jevons for their full elaboration.

Exchange value is a phenomenal manifestation (conditioned by our present social and industrial organisation) of *equivalence of utility*, which equivalence of utility would, and does, exist even under industrial conditions which render its manifestation in the particular form of exchange value impossible. Let us, then, try to track it down on ground where it is less surrounded by complications and prejudices than it is at home. "All the mystery" says Marx, "of the world of wares, all the false lights and magic which play about the creations of labour when produced as wares, disappear at once when we have recourse to other forms of production. And since Political Economy delights in Robinsoniads, let us begin with Robinson on his island." (p. 53 [30]). I accept this invitation, and proceed to make my own observations on what I see.

Robinson, then, has to perform various kinds of useful work, such as making tools or furniture, taming goats, fishing, hunting, &c.; and although he does not ever exchange things against each other, having no one with whom to exchange, yet he is perfectly conscious of the equivalence of utility existing between certain products of his labour, and as he is at liberty to distribute that labour as he likes, he will always apply it where it can produce the greatest utility in a given time. The need of food being the most urgent of all needs, his first hours (if we suppose him to start with nothing) will be devoted to procuring food, but when he has got some little food, a further increment of it, however acceptable it would be, is not so necessary as the first instalment was, and will therefore not be so useful. By devoting a few hours to the search for or construction of some rude shelter he will now be producing a greater utility than he could produce in the same time by obtaining more food; and thus he continues always producing so much of what he wants most that the next increment would have a less utility than some other thing which it would take the same time to secure. He has arrived at a state of equilibrium, so to speak, when his stock of each product is such that his desire for a further increment of it is proportional to the time it would take to produce it, for when this state of things is realised, equal expenditures of labour wherever applied would result in equal utilities.

Let us now take the case of an industrial community the labour of which is directed to the immediate supply of the wants of its own members, without the intervention of any system of exchange, and let us suppose, for instance, that it takes a working member of such a community four days to make a coat and half a day to make a hat. We will put all other branches of industry out of consideration, we will suppose that at a given moment the members of the community are, owing to some special cause, equally ill-provided with coats and hats, and that under the climatic and other conditions to which they are subject, it would cause them equal discomfort to go without coats or without hats. A hat is, therefore, at the present moment, as useful as a coat and it only takes one eighth of the time to make it. Labour will therefore be directed to hat-making rather than to coat-making; for why should I spend four days in producing a certain utility when I could produce another utility exactly equivalent to it in half a day? But when a certain number of hats have been made the inconvenience caused by the insufficient supply becomes less acute, whereas the want of coats is as great as ever. Additional hats, therefore, would no longer be as useful as the same number of additional coats, but would be, say, half as useful. But since a man can produce eight hats in the time it would take him to make one coat, and since each hat is worth half as much (*i.e.* is half as useful) as a coat, lie can still produce four times the utility by making hats which he could produce in the same time by making coats. He therefore goes on making hats. But the need of hats is now rapidly diminishing, and the time soon arrives when additional hats would be only *one eighth* as useful as the same number of additional coats. A man can now produce equal utilities in a given time whether he works at coats or hats, for though it will take him eight times as long to make a coat as to make a hat, yet this coat when made will be as useful as eight hats, it will be *worth* eight hats to the community. Equilibrium will now be established, because the stock of coats and hats is such that the utility of more coats would be to the utility of more hats as the time it takes to make a coat to the time it takes to make a hat. But observe a coat is not worth eight times as much as a hat to this community, because it takes eight times as long to make it, (that it always did, even when *one* hat was worth as much to the community as a coat) - but the community is willing to devote eight times as long to the making of a coat, because when made it will be worth eight times as much to it.

The transition to the industrial conditions under which we actually live is easy. Indeed it is already contained in the word "worth." The popular instinct has appropriated this word to the "common something" which all exchangeable commodities embody, irrespective of the industrial conditions of their production and of the commercial conditions of their circulation and consumption. From my own individual standpoint I may say that A is worth as much to me as B, *i.e.*, that there is to me an *equivalence of utility* between A and B, though their specific utilities may be wholly unlike. From the standpoint of communistic or patriarchal economies, I might use the same language with the same meaning. A is worth as much to the community as B, *i.e.*, there is an equivalence of utility to the community between A and B. Lastly from the point of view of a commercially organised society in which no man's wants are reckoned unless he can give something for their gratification, (the ordinary point of view) we may say "A and B are *worth* the same," "there is an equivalence of utility to "the purchaser" between A and B," "there are persons who want more A and persons who want more B; and the desire for more A on the part of the former (as measured against their desire for other commodities), is equivalent to the desire for more B on the part of the latter, measured in the same way" "the (exchange) - values of A and B are equal."

One point remains to be cleared up. In the case of manufactured articles, such as hats and coats for instance, there is always a certain stream of supply flowing, and when we speak of "the desire for more hats," we must be understood to mean, not the desire on behalf of purchasers for more hats *than they have*, but their desire for more hats *than are being supplied*, *i.e.*, the pressure (or rather suction) which seeks to widen supply. By the "law of indifference" it is the force of demand *at the margin* of supply which determines the exchange value of the whole. For example, a watch of a certain quality is *worth* £15 to me, *i.e.*, it would have as great a utility to me as anything else which I have not got, and which I could obtain for £15. But watches of the quality in question are now being supplied to the commercial society of which I am a member at the rate of fifty *per diem*, and the ranks of the men to whom such watches are worth £15, are only recruited at the rate of ten *per diem*. The ranks of those to whom they are worth at least £10 are, however, recruited at the rate of fifty *per diem*, *i.e.*, the worth or utility of watches of such and such a quality, supplied at the rate of fifty *per diem*, is, at the margin of supply, £15, and therefore by the "law of indifference" all the watches exchange at that same rate. A desire for *all* the watches that are available (theoretically identical with the desire for an infinitesimal increment of watches *beyond* what are available) is felt by persons to whom each watch has a utility represented by at least £10. A desire for *some* of the watches (but not all) is felt by persons to whom each watch would have a utility represented by some larger amount, in some cases perhaps £15 or even more, but this high utility of watches to some people does not affect their utility at the margin of supply, and therefore does not affect their exchange value. Thus, while value in exchange is rigidly determined by value in use, yet it may happen that any number of persons short of the whole body of purchasers, may obtain for £10 each watches which have a utility *for them* represented by something more than £10. It is needless to add that the "margin of supply" may be fixed by the holding back from the market of a certain part of the commodities in question by the traders, or by the deliberate limitation of the production by the manufacturers, or by the physical limits imposed on the manufacture, or perhaps by other causes. This does not affect the matter.

Let us now take up the problem from the other side. Watches are being produced at the rate of 50 *per diem*, and they are worth £10 each when produced. It requires, say, twelve days' labour to produce a watch, and (due allowance being made for the quality of the labour, (cf. *das Kapital* p. 19 [17 a.]) we will suppose there is no other direction which could be given to this labour by which in the same time it would produce anything worth more than £10, *i.e.*, having a greater utility at the margin of supply than the watch has.

Now suppose an improvement in the manufacture of watches to be made which saves 25 per cent. of the labour. This does not in itself affect the utility of watches, and therefore nine days' labour applied to watch making will now produce as great a utility as twelve days applied to any other industry. Anyone who has the free disposal of labour will of course now apply it to watchmaking, but the watches he makes *will no longer be as useful* as watches have been hitherto, and for the following reason. There are more watches available now than there were formerly. If they are all to be bought (or indeed used) they must some of them be bought (or used) by persons to whom (in comparison with other things) they are *less useful* than the watches formerly sold were to their purchasers. All the persons to whom a watch was as useful as 200 lbs. of beef (supposing beef to be a shilling a pound), or anything else they would get for £10, are already supplied (or are being continuously supplied as they continuously appear), and if more watches are sold it must be to persons to whom they are only as useful as, say, 180 lbs. of beef would be. A man to whom *one* watch was as useful as 200 lbs. of beef, but to whom a second watch in the family (though a great convenience), was not so imperiously required as the first, will now determine to buy a second watch which will be less useful than the first, but still as useful as 180 lbs. of beef. Others to whom even a single watch would not have been as useful as the greater amount of food, purchase one now because it is as useful as the smaller amount. The usefulness of a watch at the margin of supply is now represented by £9. The value of watches has fallen, *not because they contain less labour*, but because the recent increments have been *less useful*, and by the "law of indifference" the utility of the last increment determines the value of the whole.

Still however there is an advantage in making watches. Nine days' labour applied in any other direction would only produce a utility represented by £7 l0s., whereas if applied to watch making it will produce a utility represented by £9. Labour free to take any direction will still he directed to watch making, and by increasing still further the number of watches available, will again lower their *usefulness* (measured by its ratio to the usefulness of other things) at the margin of supply, till at last there are so many watches already in the possession of those to whom they are useful, or in the normal stream of supply, that any further increment of watches would not be more useful to anyone than 150 lbs. of beef or a dress suit, or a sofa, or new clothes for the children, or something else which he wants, which he has not got, and which he can get for £7 l0s. When this point is reached equilibrium is restored. Nine days' labour produces a utility represented by £7 10s., whether devoted to watch making or anything else. The value of the watch now coincides with the amount of labour it contains, yet it is not worth £7 l0s., neither more nor less, because it contains nine days of a certain quality of labour, but men are willing to put nine days and no more of such labour into it, because when made it will be worth £7 10s,, and it will be worth that sum in virtue of its utility at the margin of supply which by the "law of indifference" determines its exchange value.

The correctness of this theory of value may he tested in another way. Utility arises from the power possessed by certain things of gratifying human desires. We have seen that as these things are multiplied, the desires to which each successive increment ministers, become relatively less intense, by which their utility at the margin of supply (called by Jevons their "final utility,") is Towered. We have seen that this "law of variation of utility" fully accounts for all the phenomena of supply and demand and for the coincidence, in the case of articles that can be indefinitely multiplied, between the relative amounts of labour they contain and their relative values. But if utility is the real constituent element of value, there must be another aspect of the question. Utility rising out of a relation between human desires and certain *things* (whether material or immaterial), must be affected by any modification either in the things or in the desires. We have seen that in many cases labour can indefinitely modify the number of the things, and by so doing can modify their (final) utility, and so affect their value. But there are other things which are normally exchanged (and which we must therefore regard as containing that "common something" which is implied in every equation of exchange, and to which it is the height of arbitrariness to refuse the name of "value"), the number and quality of which labour is powerless to affect; and yet they too rise and fall in value. Such. are specimens of old china, pictures by deceased masters, and to a greater or less degree the yield of all natural or artificial monopolies. The value of these things changes because their utility changes. And their utility changes, not because of any change in their own number or quality, but because of a change in the desires to which they minister. I cannot see how any analysis of the act of exchange, which reduces the "common something" implied in that act to *labour* can possibly be applied to this class of phenomena.

We have now a theory of value which is equally applicable to things that can, and things that can not, he multiplied by labour, which is equally applicable to market and to normal values, which moves with perfect ease amongst the "bourgeois categories" that have been prominent in the latter part of our argument, and fits all the complicated phenomena of our commercial societies like a glove, and yet all the while shows that these phenomena are but the specially conditioned manifestations of the ultimate and universal facts of industry, and find their analogues in the economy of a self-supplying patriarchal community or of Robinson Crusoe's island.

It only remains to apply our results to Marx's theory of surplus value. The keystone of the argument by which that theory is supported is, as we have seen, the proposition that the value of labour-force is fixed by the amount of labour needed to produce it, whereas in its expenditure that same labour-force liquefies into a greater amount of labour than it took to produce it, so that if a man purchases labour-force at its value, he will be able to draw out at one end of his bargain more labour (and therefore more value) than he puts in at the other.

We have now learned, however, that value does not depend upon "amount of labour contained," and does not always coincide with it. Under what conditions does it so coincide? And does labour-force comply with those conditions? Whenever labour can be freely directed to the production of A or B optionally, so that x days of labour can be converted at will into y units of A, or z units of B, then, but then only, will labour be directed to the production of one or the other unit until the relative abundance or scarcity of A and B is such that y units of A are as useful at the margin of supply as z units of B. Equilibrium will then be reached.

But if there is any commodity C, to the production of which a man who has labour at his disposal can *not* direct that labour at his will, then there is no reason whatever to suppose that the value of C will stand in any relation to the amount of labour which it contains, for its value is determined by its utility at the margin of supply, and by hypothesis it is out of the power of labour to raise or lower that margin.

Now this is the case with labour-force in every country in which the labourer is not personally a slave. If I have obtained by purchase or otherwise the right to apply a certain amount of labour to any, purpose I choose, I cannot direct it at my option to the production of hats (for instance) *or to the production of labour force*, unless I live in a country where slave-breeding is possible; and therefore there is no economic law the action of which will bring the value of labour-force, and the value of other commodities, into the ratio of the amounts of labour respectively embodied in them.

It appears to me, therefore, that Marx has failed to indicate any immanent law of capitalistic production by which a man who purchases labour-force at its value will extract from its consumption a surplus value. We are simply thrown back upon the fact that a man can purchase (not produce) as much labour-force as he likes at the price of bare subsistence. But this fact is the problem we are to investigate, not the solution of the problem.

The object of this paper is purely critical and my task is, therefore, for the present, completed. Only let me repeat that in the latter portion of the published volume of "das Kapital" Marx appears to me to have made contributions of extreme importance to the solution of the great problem, though I can not see that they stand in any logical connection with the abstract reasoning of his early chapters.

Philip H Wicksteed

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[1] I cite from the second German edition (1872), which is probably the one in the hands of most of my readers. References to the French translation are added in square brackets.

[2] Throughout his argument in the published volume of "das Kapital" Marx deals with the "capitalist" simply as an employer of labour, reserving for future treatment not only the merchant, but the possessor and investor of money who draws interest from it without personally engaging in any industrial or commercial pursuit (pp, 148, 149, [69 b., 70 a]). Now it is the investor of money, as such, whom recent English-writing economists such as Sidgwick and Walker, have agreed (as it seems to me with good reason) to call the "capitalist," in contradistinction to the employer of labour, or the trader, who may or may not be his own capitalist. On this, however, I do not insist. Marx is justified, from his point of view, in using the term as he does, for he regards the function of the employer of labour, ie. the purchase of labour-force and the employment of it in producing "utilities," "commodities," or "wares," (*vide infra*) as the sole normal source of that "surplus value" which is subsequently divided up into rent, interest, and profit (pp. 204, 205, 210, cf. 195 note [92 b., 94 b., cf. 88 a. *note*]). According to him, therefore, the function of the "rentier" or receiver of interest is merely a derived form of the function of the "entrepreneur" or employer of labour, and it is this latter who is the "capitalist," *par excellence*, the prime recipient or extractor of all the wealth which labour creates, but which the labourer does not receive. Marx is perfectly aware, though I am not sure that his disciples always remember it, that this view of the origin of all "surplus value" appears to stand in glaring contradiction to experience and to the historical order in which the successive forms of capital have been evolved, and that this apparent contradiction can only be removed by a long chain of reasoning which is *not* given in the published volume of "das Kapital," though it seems to be promised in a future portion of the work (pp. 312, cf. 148, 149, 203, [133 a. cf. 69 b., 70 a., b.]); but again I have no intention of insisting upon this, as my purpose is not to enquire whether Marx's explanation of the phenomena of capitalistic industry is adequate, but whether the fundamental analysis upon which it rests is sound,

With reference to the terms "commodity" and "ware," which will frequently occur in this article, it may be noted that Marx's use of the word *Gebrauchswerth* for concrete objects exactly corresponds to Jevons's definition of a *commodity*. "By. *commodity* we shall understand any object, substance, action or service, which can afford pleasure or ward off pain," (*Theory of Political. Economy*. p.41) except that. Marx would substitute "labour-force, &c." for "action or service." It seems a pity that "utilities" as a designation of concrete objects is not sanctioned by English usage. Marx uses *Waare* to signify a commodity or "utility" *which was made expressly with the view of exchanging it*, not of using it directly, (p15).

It seems to me that *ware* is the proper English for this, though there arc indications that Marx himself might perhaps have translated it "commodity" a term which in English writers certainly does not carry the *differentia* of his *Waare*. Passages bearing on the correct translation of *Waare* will be found on pp.15, 17, 55, 61, 63,111, 137 &c. of *Das Kapital*.

[3] He may, and often does, purchase it below its value, but the abstract argument assumes the contrary as the normal condition of things. It is essential that this should be quite clearly understood, (Cf. pp. 150, 151, 207 Da der Werth des variablen Kapitals = Werth der von ihm gekauften Arbeitskraft, and [70 and 93, b.] *passim*).

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