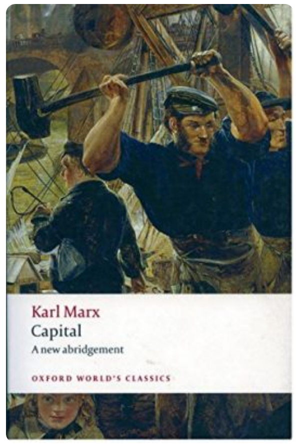
getabstract
compressed knowledge



Rating ?
9

Qualities ?
Innovative

Buy book or audiobook

Capital

Karl Marx • Oxford UP © 1999 • 544 pages

Economics / Economic Theory
History / Economic History

Take-Aways

- Goods, the basis for the capitalist system, have a “use value” (their own utility) and an “exchange value” (relative to other goods).
- The work required to produce an item is included in its exchange value.
- The productivity of labor depends on environmental conditions, social structures, the degree of technology, the supply of raw materials and the skill of workers.
- Money aids the exchange of goods. Coins cast from precious metals may represent an item’s exchange value, but paper money is an abstract embodiment of value.
- Workers exchange their capacity to work for money to buy goods. Capitalists exchange money for goods, which they then resell for more money.
- Workers sell their labor because they do not possess any “means of production.”
- Capitalists are most interested in procuring “surplus value,” which workers facilitate.
- Once workers earn a subsistence wage, any more value from the work they perform devolves to the sole benefit of capitalists.
- Capitalists profit from this surplus value; workers don’t share in its worth.
- The fight over surplus value will lead to “the revolt of the working class.”

Recommendation

Karl Marx's technical masterpiece painstakingly, and often dramatically, roots out the causes of social and economic inequality. Unlike *The Communist Manifesto*, which he wrote with Friedrich Engels, this classic text is not a call to revolution but rather a comprehensive and systematic analysis and "critique of political economy," according to its original subtitle. Marx spent 15 years working on just the first volume of his complex masterwork. In it he details the "surplus value" that workers create for those who own the "means of production," and how exploitative capitalists sell their goods not to purchase other goods, but to increase their own wealth. "Money making money," or the capital accumulation process, lies at the heart of Marx's critique of capitalism. *getAbstract* recommends his seminal work to those who wish to understand the origins of this important, disruptive work of political and economic philosophy.

Summary

Goods and Their Value

Goods form the basis of wealth in capitalist societies. Goods are commodities that satisfy human needs, either directly – such as the food that nourishes you or the clothing that keeps you warm – or indirectly, such as the machinery and materials that produce the food or clothing. Each type of good carries two kinds of value:

1. **"Use value"** – This measures a product's utility. Use value is an inherent part of the individual item and cannot be separated from it. The use value is independent of the amount of work that went into making the commodity. For example, a buyer purchasing a ton of steel doesn't care how much effort went into producing the metal.
2. **"Exchange value"** – This shows the value ratio between two particular products. For example, a specific quantity of wheat can be exchanged for a precise amount of silk. The exchange value of an item incorporates the amount of work that went into creating that item.

> *"**Karl Marx,** born in Trier, Germany, in 1818, studied law, philosophy and history, and worked as an editor for a liberal newspaper. Censored for his views, he moved to France and met the son of a factory owner, Friedrich Engels, with whom he wrote The Communist Manifesto in 1847. In 1849, Marx went into exile to London, where he began an intensive study that resulted in his masterpiece of political economics, Capital. The first volume was published in 1867; the second and third volumes were published after he died in England in 1883."*

All products possess a common factor: the labor necessary for their creation. Labor attaches value to an item and also derives its value from that item. The work and time necessary to make a product determine its value. Thinking about products in this way allows you to break down sophisticated, complex work into a number of straightforward tasks; thus, intricate tasks become simple activities.

Labor Productivity

Work efficiency can vary greatly, depending on environmental conditions, social structures, levels of technology, the supply of raw materials, scientific research and employees' skills. Taking all these factors into account, a business can produce a certain quantity of goods in a certain amount of time. All things being equal, if you produce the same amount and quality of a good consistently, the value of what you produce remains the same. Therefore, the value of a product depends on the productivity of labor.

> *"A commodity appears, at first sight, a very trivial thing, and easily understood. Its analysis shows that it is, in reality, a very queer thing, abounding in metaphysical subtleties and theological niceties."*

For instance, because diamond mining is difficult and time consuming, diamonds are very valuable. But when you suddenly hit upon a rich diamond lode, your labor productivity increases immensely. If you could find a way to convert carbon into diamonds easily, the precious stones would become much less prized. Similarly, technical progress speeds up the productivity of labor, because inventions and machines can produce more goods in less time.

Labor as a Commodity

"Surplus value" originates from workers' labor, which workers must sell as a commodity because they do not own the "means of production," that is, the machinery and materials necessary, to produce goods. What workers need to survive determines part of their labor's value. Apart from food, these needs may differ, depending on a given era's or culture's minimum subsistence level. The exchange value of the work – a laborer's daily wage – ensures only that minimum level of survival. Yet laborers' time and efforts are their use value, an intrinsic part of themselves. The buyers of that use value, the capitalists, will employ it to create surplus value, which is "the difference between the value of the product of labor and the cost of producing that labor, i.e., the laborer's subsistence." Thus, surplus value will go directly to the capitalist whose invested money transforms it into capital.

> *"The circulation of money as capital is...an end in itself, for the expansion of value takes place only within this constantly renewed movement."*

The equipment and raw materials that feature in the production process constitute "constant capital." This value does not change during the manufacturing cycle. But a workforce is different: It yields a certain value that the worker receives as a fixed wage, and a surplus value beyond that which the capitalist keeps. This converted labor represents "variable capital." In essence, "the worker appears as an element incorporated into capital within the productive process, as its living and variable factor."

> *"The circulation of capital has therefore no limits."*

Using labor as a commodity means that at the end of a workday, laborers hold in their hands a sum of money for providing work rather than for creating an item themselves. Their proximity to the finished product is thus lost: Workers become estranged from their work because its result does not belong to them anymore. Work is an integral part of the human personality. But industrial workers who perform specialized, mindless activities don't have a connection to their work.

> *"As the conscious representative of this movement, the possessor of money becomes a capitalist. His person, or rather his pocket, is the point from which the money starts and to which it returns."*

The rate of surplus-value creation describes the degree of worker exploitation. Laborers are cheated out of the surplus value of their work. Once a worker has labored enough hours to cover the expense of his daily wages, every extra hour worked benefits only the capitalist. The capitalist attempts to increase the surplus value by extending working hours or by increasing the share of surplus-value work carried out during the total working time. Thus, productivity rises with no increase in wages for workers.

Money and Commodity Fetishism

Historically, the simple act of exchanging goods used a basic form of equivalence: People traded shells or animals for commodities in set quantities. Swapping goods was part of an essential relationship among human beings. Eventually, coins made of precious metals became popular as mediums of exchange. Easily divided into different values, metallic money carried enough worth to count as a substitute for other goods. But at some point, money lost its relative meaning; it became an abstract embodiment of exchange value. The material worth of paper money, unlike coins made from precious metals, plays no role in its function as a measure of value. Money's value is in and of itself, not in what it represents; it has become a "fetish."

> *"Money which begets money, such is the description of Capital."*

Goods, too, are fetishes; that is, commodities have taken on meanings independent from the people who make them and from the work they provide to produce them. The individual who exchanges a commodity or money for a product no longer is directly connected with the "accumulated" labor in that product. During the Middle Ages, laborers consumed and possessed only what they themselves needed; therefore, the fruit of their labor was not a fetish. The fetishistic character, or venerability, of goods came into being only when people began trading goods among themselves within organized society.

Circulation of Commodities and Money

The prices of goods in circulation are a measure of the work contained in those goods. Prices can be too high or too low, but the actual circulation of commodities takes place when people exchange goods for money. For example, a weaver sells a piece of his work and receives a certain amount of money. With this money he buys a Bible for his family. He has exchanged his money for an item that represents another person's work. This circulation consists of goods leading to money, which leads to goods. In other words, the worker swaps a self-manufactured piece of work for work produced by another.

> *"The product is the property of the capitalists, not that of the immediate producer, the worker."*

But another cycle exists as well, in which money no longer plays the role of the middle man, but becomes the main actor. This principle – money leads to products, which lead to money – describes the birth of capital. People buy goods not only for their practical value, but also for the capital they generate when resold. The main attraction is the exchange value or, rather, the profit, which increases capital. The only commodity that will increase profit is labor.

> *"The essential difference between the various economic forms of society, between, for instance, a society based on slave-labor, and one based on wage-labor, lies only in the mode in which this surplus-labor is in each case extracted from the actual producer, the laborer."*

This profitability drives capitalism and leads to ever-growing amounts of capital: More money results in more products, and more products result in more money. The circulation of commodities has the ultimate purpose of satisfying human needs. The circulation of money is, however, an end in itself. Whoever owns the money that drives this process has just one goal: to become richer and richer.

Capital Accumulation

The capitalist uses money to accumulate capital, reinvesting a portion of this money to attain more means of production. This establishes a self-reinforcing process. During intensive capital accumulation, with which the capitalist buys technical capabilities, labor productivity increases dramatically. If the population grows at the same pace as this increase in productivity, an "industrial reserve army" forms, a mass of unemployed individuals desperate for work. With a snap of his fingers, the capitalist can choose new workers, who are ready to provide labor for even less pay than before.

> *"Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil slavery, ignorance, brutality, mental degradation, at the opposite pole."*

Because workers don't participate in the increase in surplus value their labor creates, they compete with each other, and the capitalist benefits. As the wealth of the capitalist increases, so does the misery of the workers. The worker must submit to the law of the machine, shorten or extend the working day, relocate or take other measures to satisfy the capitalist. The large unemployed pool enables the capitalist to have a plentiful supply of workers (willing or forced), whom he can siphon off from the always available reserve army.

> *"To appropriate labor during all the 24 hours of the day is...the inherent tendency of capitalist production."*

Working conditions in English industrial enterprises in the 1800s became so abysmal that "Dante would have found the worst horrors of his Inferno surpassed in this manufacture." Continuous workdays of 12 to 18 hours were not uncommon, under conditions dangerous to the health and well-being of laborers. For example, workers in potteries had shorter life expectancies and more illnesses than others in their villages; they represented "a degenerated population, both physically and morally." They were "stunted in growth...prematurely old and certainly short-lived."

> *"Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument."*

Health officials in Manchester, England noted that the average life span of the working class was 17, versus 38 for those of the "upper middle class." In 1860, a magistrate reported on the horrific conditions in lace-making factories, in which "children of nine or ten years are dragged from their squalid beds at two, three, four o'clock in the morning and are compelled to work for a bare subsistence until ten, eleven or twelve at night."

Class Struggle

The relationship between capitalist and worker exemplifies the clash of classes: Workers and capitalists have been fighting for centuries over the surplus value of labor. Violence always has played a part in the relationship, which dates from medieval society. Feudal wars and expropriation of lands threw farming peasants off agricultural properties. These serfs then were free to offer their work in the growing industrial marketplace. Or rather, they ended up once again in servitude, but this time in wage slavery.

> *"The knell of capitalist private property sounds."*

But at some point capitalists will meet their end through their own lust for profit. They will continue to use more machines and fewer workers for production. The misery of the masses will grow, while fewer and fewer people will benefit from accumulating capital. "In proportion as capital accumulates, the lot of the laborer...must grow worse." As the industrial reserve army increases, so, too, will its restlessness and agitation. The capitalist system will become increasingly untenable, and it will face "the revolt of the working class." Expropriation will continue until governments become so unbearable that the people will overthrow them in a revolution, and "the expropriators are expropriated."

About the Author

Karl Marx, born in Trier, Germany, in 1818, studied law, philosophy and history, and worked as an editor for a liberal newspaper. Censored for his views, he moved to France and met the son of a factory owner, Friedrich Engels, with whom he wrote *The Communist Manifesto* in 1847. In 1849, Marx went into exile to London, where he began an intensive study that resulted in his masterpiece of political economics, *Capital*. The first volume was published in 1867; the second and third volumes were published after he died in England in 1883.