

Marx and Engels, such 'socialist production' would thus remain generalized commodity production, i.e. generalized production of value. We may well ask what kind of intrinsic 'law' of raising surplus labour would then be incorporated into these 'socialist production relations'. For Marx distinctly states that such a law underlies the schemas of expanded reproduction referring to the production of surplus-value.³⁸

6. PRODUCTIVE AND UNPRODUCTIVE LABOUR

Marx's theory of reproduction is firmly rooted in his perfected labour theory of value, not only in the sense that his reproduction schemas are based upon a common *numéraire*, labour-time, but also in the sense that what they measure and express is the distribution (and movement) of the labour force available to society among different departments and branches of material production. Value, in Marx's theory, is abstract social labour.

Michio Morishima, who has devoted much effort and ingenuity to rehabilitating Marx in the eyes of academic economists as one of the principal forerunners of aggregation techniques, nevertheless continues to detect a contradiction between a macro-economic theory of value, based upon aggregation, and a micro-economic labour theory of value. While dismissing the trite 'contradiction' between Volume 1 and Volume

38. 'In this way a situation comes about in which the individual capitalists have command of increasingly large armies of workers (no matter how much the variable capital may fall in relation to the constant capital), so that the mass of surplus-value, and hence profit which they appropriate grows, along with and despite the fall in the rate of profit' (*Capital* Volume 3, Chapter 13, our emphasis). It should be noted that, in the previous sentence, Marx has explicitly referred to accumulation of capital, and thus expanded reproduction. This passage should be contrasted with the no less explicit one concerning economic growth under socialism: 'If however wages are reduced to their general basis, i.e. that portion of the product of his labour that goes into the worker's own individual consumption; if this share is freed from its capitalist limit and expanded to the scale of consumption that is both permitted by the existing social productivity (i.e. the social productivity of his own labour as genuinely social labour) and required for the full development of individuality; if surplus labour and surplus product are also reduced, to the degree needed under the given conditions of production, on the one hand to form an insurance and reserve fund, on the other hand for the steady expansion of reproduction in the degree determined by social need . . . i.e. if both wages and surplus-value are stripped of their specifically capitalist character, then nothing of these forms remains, but simply those foundations of the forms that are common to all social modes of production' (Volume 3, Chapter 50, our emphases). It is clear from these quotations that, for Marx, the difference in form implies a difference in quantities, especially in those dynamic quantities which are growth trends.

3, around which so much academic criticism of Marx has revolved for almost a century, he constructs quite an imposing straw man out of this 'new' contradiction.³⁹ In our opinion, however, his subtle distinction between Marx's 'two' labour theories of value is based upon a simple conceptual confusion. For Marx, value and value production are eminently *social* qualities, referring to relations between men, and not 'physical' attributes adhering to things once and for all. Thus, when Marx writes that the value of a commodity is the embodiment of human labour expended in its production, and when he goes on to say that its value is equal to the socially necessary labour contained within it, he is not making two different statements, but simply repeating the same thesis. For the value of a given commodity is determined only by that portion of labour spent in its production which corresponds to the social average (both the average productivity of labour and the average socially recognized need), that is to say, which is *recognized by society as socially necessary labour*. Labour expended in the production of a given commodity, but not recognized by society, is not productive of value for the owner of that commodity.

However, precisely because value and the production of value refer ultimately to the distribution and redistribution of the *total available labour-power of society engaged in production*, that macro-economic aggregate is a basic economic reality, a basic 'fact of life'. If five million workers work 2,000 hours a year in material production, the total value product is ten billion hours, independently of whether the socially recognized value of each individual commodity is equal to, or larger or smaller than, the actual number of labour hours expended in its production. It follows that if the value of a given commodity is less than the labour actually spent on its production, then there must be at least one other commodity whose value is greater than the quantity of labour actually embodied in it.⁴⁰ *Social recognition* of labour expenditure and

39. Michio Morishima, *Marx's Economics*, Cambridge, 1973, pp. 11–12. Cf. *Grundrisse* (op. cit., p. 135): 'What determines value is not the amount of labour time incorporated in products, but rather the amount of labour time necessary at a given moment.'

40. Cf. *Capital* Volume 3, Chapter 10, especially the following passage: 'Strictly speaking, in fact . . . the market value of the entire mass, as governed by the average values, is equal to the sum of its individual values . . . Those producing at the worst extreme then have to sell their commodities below their individual value, while those at the best extreme sell theirs above it.' See also below (p. 207): 'If the commodities are not sold at their values, then the sum of converted values remains unaffected; what is a plus for one side is a minus for the other.'

actual labour expenditure can differ only for individual commodities, not for the total mass.⁴¹ In that sense, Morishima is right when he stresses that, in the last analysis, and for the capitalist mode of production (as distinct from petty commodity production), Marx's law of value is fundamentally an aggregate, macro-economic concept.⁴²

The nexus between the reproduction schemas (and the problem of the circulation of capital in general) and the theory of value leads us back to one of the most hotly disputed issues of Marxist economic theory: the exact delimitation between productive and unproductive labour. As the schemas are *value* schemas, they express only *value production*, and automatically exclude economic activities which are not productive of value. What precisely are these activities?

It has to be admitted that the solution of this problem was made more difficult by Marx himself. There are undeniable differences – if only of nuance – between, on the one hand, the long section of *Theories of Surplus-Value* dealing with the problem of productive and unproductive labour and, on the other, those key passages of *Capital* (especially Volume 2) which treat the same subject. One striking illustration of this is the analysis of commercial agents and travellers. They are classified as productive workers in the *Theories*, and as unproductive workers in *Capital* Volumes 2 and 3.⁴³ In recent years, a long and often confused debate among Marxists has further complicated the matter.⁴⁴ It is also

41. I shall come back to this thesis when I deal with the so-called transformation problem in the introduction to Volume 3.

42. Morishima, op. cit., pp. 2–3.

43. *Theories of Surplus-Value*, Part I, Moscow 1969, p. 218; *Capital* Volume 3, Chapter 17; and see below, pp. 209–11. Even within Part 1 of *Theories of Surplus-Value*, there are striking contradictions on this question. Thus on page 157 Marx writes: 'An actor, for example, or even a clown, according to this definition, is a productive labourer if he works in the service of a capitalist.' And on page 172 he states: 'As for labours which are productive for their purchaser or employer himself – as for example the actor's labour for the theatrical entrepreneur – the fact that their purchaser cannot sell them to the public in the form of commodities but only in the form of the action itself would show that they are unproductive labours.'

44. See, *inter alia*, Jacques Nagels, *Travail collectif et travail productif dans l'évolution de la pensée marxiste*, Brussels, 1974; S. H. Coontz, *Productive Labour and Effective Demand*, London, 1965; Arnaud Berthoud, *Travail productif et productivité du travail chez Marx*, Paris, 1974; Ian Gough, 'Marx and Productive Labour', in *New Left Review*, No. 76, November–December 1972; Peter Howell, 'Once Again on Productive and Unproductive Labour', in *Revolutionary Communist*, No. 3/4, November 1975; Mario Cogoy, 'Werttheorie und Staatsausgaben', in *Probleme einer materialistischen Staatstheorie*, Frankfurt, 1973, pp. 164–71; P. Bischoff et al., 'Produktive und unproduktive Arbeit als Kategorien der Klassen-

intertwined with differences in judging the so-called service industries – which, to take one example, are not included in Soviet and East European accounting as contributing to national income, on the basis of a particular interpretation of Marx's theory of productive labour.⁴⁵ How then shall we unravel the problem?

A preliminary distinction which we need to draw goes to the heart of the matter. When Marx classifies certain forms of labour as productive and others as unproductive, he is not passing moral judgement or employing criteria of social (or human) usefulness. Nor does he even present this classification as an objective or a-historical one. The object of his analysis is the *capitalist mode of production*, and he simply determines what is productive and what is unproductive for the functioning, the *rationale* of that system, and that system alone. In terms of social usefulness or need, a doctor provides labour which is indispensable for the survival of any human society. His labour is thus eminently useful. Nevertheless, it is unproductive labour from the point of view of the production or expansion of *capital*. By contrast, the production of dum-dum bullets, hard drugs or pornographic magazines is useless and harmful to the overall interests of human society. But as such commodities find ready customers, the surplus-value embodied in them is realized, and capital is reproduced and expanded. The labour expended on them is thus productive labour.

In the framework of this socially determined and historically relativized concept, productive labour may then be defined as *all labour which*

analyse', in *Sozialistische Politik*, June 1970; Altvater and Huisken, 'Produktive und unproduktive Arbeit als Kampfbegriffe', in *ibid.*, September 1970; Rudi Schmiede, *Zentrale Probleme der Marxschen Akkumulations- und Krisentheorie*, Diploma thesis, Frankfurt, 1972; I. Hashimoto, 'The Productive Nature of Service Labour', in *The Kyoto University Economic Review*, October 1966; K. Nishikawa, 'Productive and Unproductive Labour from the Point of View of National Income', in *Osaka City University Economic Review*, No. 1, 1965; K. Nishikawa, 'A Polemic on the Economic Character of Transport Labour', in *ibid.*, No. 2, 1966. See also the article by Elisaburo Koga, Catherine Colliot-Thélème, Pierre Salama and Hugues Lagrange in *Critiques de l'économie politique*, Nos. 10 and 11/12 (January–March and April–September 1973); those by J. Morris and J. Blake in *Science and Society*, Nos. 22 (1958) and 24 (1960); and those by Fine, Harrison, Gough, Howell and others in the *Bulletin of the Conference of Socialist Economists*, 1973–5. There are numerous books on Marxist economic theory which deal with the same subject in passing.

45. See, for example, Jean Marchal and Jacques Lecaillon, *La Répartition du revenu national: Les modèles*, Vol. III, *Le modèle classique. Le modèle marxiste*, Paris, 1958, pp. 82–5; Bronislaw Minc, op. cit., pp. 159–65, and many others.

is exchanged against capital and not against revenue, i.e. all labour which enriches one or several capitalists, enabling them to appropriate a portion of the total mass of surplus-value produced by the total mass of value-producing wage-labour.⁴⁶ We could call it ‘labour productive from the point of view of the individual capitalist(s)’. All wage-labour engaged by capitalist enterprise – as opposed to labour functioning for private households, for consumption needs – falls into that category. This is the level at which *Theories of Surplus-Value* stops.

But when he returns to the same problem in *Capital* Volume 2, from the point of view of the capitalist mode of production in its totality, and especially from that of the growth or accumulation of capital, Marx now distinguishes *labour productive for capital as a whole* from labour productive for the individual capitalist. For capital as a whole, only that labour is productive which *increases the total mass of surplus-value*. All wage-labour which enables an individual capitalist to appropriate a fraction of the total mass of surplus-value, without adding to that mass, may be ‘productive’ for the commercial, financial or service-sector capitalist whom it allows to participate in the general sharing of the cake. But from the point of view of capital as a whole it is unproductive, because it does not augment the total size of the cake.

Only commodity production makes possible the creation of value and surplus-value. Only within the realm of commodity production, then, is productive labour performed. No new surplus-value can be added in the sphere of circulation and exchange, not to speak of the stock exchange or the bank counter; all that happens there is the redistribution or reapportionment of previously created surplus-value. This point is made clear in *Capital* Volumes 2 and 3.⁴⁷ Most of the relevant passages from Volume 2 were drawn by Engels from Manuscripts II and IV. In other words, they were written in 1870 or between 1867 and 1870, some time after the *Theories of Surplus-Value* of 1861–3 (and even after the rough manuscript of Volume 3), and may therefore be considered to express Marx’s definitive views on the question. Contrary to what is said in the *Theories*, they imply that wage-earning commercial clerks or travellers do not perform productive labour, at least not from the standpoint of capital as a whole. However, even when this basic principle is established, four additional problems remain to be solved.

First, there is the question of so-called ‘immaterial goods’: concerts, circus acts, prostitution, teaching, etc. In *Theories of Surplus-Value*,

46. See *Theories of Surplus-Value*, Part 1, op. cit., Chapter IV, 3.

47. See below, pp. 209–11; and *Capital* Volume 3, Chapters 16 and 17.

Marx tends to classify these as commodities, in so far as they are produced by wage-earners for capitalist entrepreneurs. Although in Volume 2 he does not explicitly contradict this, he insists strongly and repeatedly on the correlation between use-values embodied in commodities through a labour process which acts upon and transforms nature, and the production of value and surplus-value.⁴⁸ Moreover, he provides a general formula which implies the exclusion of wage-labour engaged in ‘personal service industries’ from the realm of productive labour: ‘If we have a function which, although in and for itself unproductive, is nevertheless a necessary moment of reproduction, then when this is transformed, through the division of labour, from the secondary activity of many into the exclusive activity of a few, into their special business, this does not change the character of the function itself.’⁴⁹ If this is true of commercial travellers or book-keepers, it obviously applies all the more to teachers or cleaning services.

The definition of productive labour as *commodity-producing labour, combining concrete and abstract labour* (i.e. combining creation of use-values and production of exchange-values) logically excludes ‘non-material goods’ from the sphere of value production. Furthermore, this conclusion is intimately bound up with a basic thesis of *Capital*: production is, for humanity, the necessary mediation between nature and society; there can be no production without (concrete) labour, no concrete labour without appropriation and transformation of material objects.⁵⁰

48. See below, Chapter 6. Of the more systematic analyses of this problem, those of Nagels and Bischoff (see note 44 above) adopt a similar position to our own. Gough supports the opposite view, basing himself especially on a passage of *Capital* Volume 1 (op. cit., p. 644), in which Marx explicitly includes wage-earners working for private capital (such as teachers) in the realm of productive labour. In our opinion, this passage, like several in *Theories of Surplus-Value*, only indicates that Marx had not yet completed his articulation of the contradictory determinants of ‘productive labour’ – on the one hand, exchange against capital rather than revenue, and on the other, participation in the process of commodity production (which involves the unity-and-contradiction of the labour process and the valorization process, use-value and exchange-value, concrete and abstract labour). What is the ‘immaterial good’ produced by a wage-earning teacher which could be conceptually contrasted with the ‘immaterial service’ produced by a wage-earning cleaner (working for a capitalist cleaning firm) or by a wage-earning clerk of a department store?

49. See below, p. 209.

50. See *Capital* Volume 1, op. cit., pp. 283ff. Jacques Gouverneur attempts, mistakenly in our opinion, to transcend this limitation. In order to be able to include the production of ‘immaterial goods’ by wage-labour in the category of

This becomes evident when Marx sets forth in *Capital* Volume 2 his reasons for classifying the transport industry in the realm of the production of value and surplus-value, rather than in that of circulation. The argument is clearly summarized in the following passage: ‘The quantity of products is not increased by their transport. The change in their natural properties that may be effected by transport is also, certain exceptions apart, not an intended useful effect, but rather an unavoidable evil. But the use-value of things is only realized in their consumption, and their consumption may make a change of location necessary, and thus, in addition, the additional production process of the transport industry. The productive capital invested in this industry thus adds value to the products transported.’⁵¹

Now it is obvious that none of these arguments is applicable to the carrying of persons. Passenger transport is not an indispensable condition of the realization of use-values and adds no new value to any commodity. It is rather a personal service on which individuals (whether capitalists or workers) spend their own revenue. Thus, whether it is organized on the basis of wage-labour or not, the passenger transport industry can no more be considered as increasing the total mass of social value and surplus-value than can wage-labour employed in the fields of commerce, banking or insurance.

In striking contrast to the above passage is Marx’s argument in Chapter 6, 3, of Volume 2. While explicitly stating that transportation of persons by capitalist enterprise does *not* create commodities or use-values of any kind, he notes that it is nevertheless a ‘productive branch’, even though the ‘useful effect’ (*Nutzeffekt*) is only consumable during the production process itself.⁵²

Ranging this question under the broader heading of so-called service industries, we may say that, as a general rule, all forms of wage-labour which exteriorize themselves in and thus add value to a product (materials) are creative of surplus-value and hence productive for capitalism as a whole. This applies not only to manufacturing and mining industries, but also to transportation of goods,⁵³ ‘public service’ industries such as the production and transport of water or any form of

‘productive labour’, he extends Marx’s formulation referred to above into ‘transformation of nature *or the world*’, where ‘or the world’ means ‘or society’. Since wage-earning teachers ‘transform society’ without ‘transforming nature’, the implications are obvious. (Jacques Gouverneur, *Le Travail ‘productif’ en régime capitaliste*, Louvain, 1975, pp. 41ff.)

51. See below, pp. 226–7. 52. See below, pp. 134–5. 53. See below, Chapter 6.

energy (e.g. gas and electricity), the selling of meals in restaurants, the building and sale of houses and offices as well as provision of the material for constructing them, and of course agriculture. Many sectors which are often included under the heading ‘service industries’ are, therefore, parts of material production and employ productive labour. By contrast, the *letting* of apartment or hotel rooms, the service of transporting persons in buses, underground systems or trains, the performance of medical, educational or recreational wage-labour which is not objectivized outside the worker (the sale of specific forms of labour rather than of commodities), the work of commercial or banking clerks and of the employees of insurance companies or market research firms – these do not add to the sum total of social value and surplus-value produced, and cannot therefore be categorized as forms of productive labour.

An interesting illustration is provided by television. The production of television sets or *films* (including copies of such films) is obviously a form of commodity production, and wage-labour engaged in it is productive labour. But the hiring-out of completed films or the renting of a single television set to successive customers does not have the characteristics of productive labour. Similarly, wage-labour employed in making advertising films is productive, whereas the cajoling of potential clients to purchase or order such films is as unproductive as the labour of commercial representatives in general.

The second problem is to draw a precise demarcation between the spheres of production and circulation in capitalist society as a whole. Volume 2 of *Capital* leaves no room for doubt about Marx’s view: only that labour which either adds to or is indispensable for the realization and conservation of a commodity’s *use-value* adds to the total amount of abstract social labour embodied in that commodity (is productive of value).⁵⁴ Like the rest of Volume 2, the passages dealing with this question are but successive unfoldings of the basic analysis of the commodity – of its irreducible duality and the contradictions flowing therefrom.

Thirdly, we have to consider the different kinds of labour performed within the production process itself. Here Marx takes a much less simplistic attitude than some of his latter-day disciples. His fundamental doctrine is that of the ‘collective labourer’, as developed in ‘Results of the Immediate Process of Production’.⁵⁵ Productive labour,

54. See below, pp. 225–6.

55. This text is included as an appendix in *Capital* Volume 1, op. cit. See our introduction to this appendix, as well as Chapter 14 of *Capital* Volume 1 itself.

as labour expended in the realm of production of commodities, is *all* wage-labour indispensable for that production process; that is to say, not only manual labour, but also that of engineers, people working in laboratories, overseers, and even managers and stock clerks, in so far as the physical production of a commodity would be impossible without that labour. But wage-labour which is indifferent to the specific use-value of a commodity and which is performed only to extort the maximum surplus-value from the work-force (e.g. the wage-labour of timekeepers) or to assure the defence of private property (security guards in and around a factory); labour linked to the particular *social and juridical forms* of capitalist production (lawyers employed as salaried staff by manufacturing firms); financial book-keepers; *additional* stock-checkers made necessary by the tendency to overproduction – none of these is productive labour for capital. It does not add value to the commodities produced (although it may be essential to the overall functioning of the capitalist system, or of bourgeois society as a whole).

The final case to be examined is that of petty commodity producers, independent peasants and handcraftsmen. While producing commodities and thus both use-values and exchange-values, these strata do not directly create surplus-value (except in marginal cases), although they may contribute indirectly to the mass of social surplus-value – for example, by depressing the value of food through their cheap labour. We believe that on this point Marx maintained the position put forward in *Theories of Surplus-Value*: such strata perform labour which is neither productive nor unproductive from the point of view of the capitalist mode of production, because they operate outside its framework.⁵⁶

7. ARE UNPRODUCTIVE LABOURERS PART OF THE PROLETARIAT?

A precise definition of productive labour under capitalism is not only of theoretical importance. It also has major implications for social book-keeping (calculation *in value terms* of the national income)⁵⁷ and significantly affects our analysis of social classes and the political conclusions we draw from it.

56. *Theories of Surplus-Value*, Part 1, op cit., pp. 407–8.

57. It should be added that, for both analytical and practical reasons, it is quite legitimate for Marxists to introduce into calculations of national income a category such as 'total money incomes of all households and enterprises taken together', provided that it is clearly differentiated from the value of the annual product and incomes generated by annual production.

The narrowest position, which seeks to reduce the proletariat to the group of manual industrial workers, is in complete contradiction with Marx's explicit definition of productive labour, and we need not dwell on it here. At the other extreme, it is obviously absurd to extend the concept of the proletariat to all wage and salary earners without limitation (including army generals and managers earning 100,000 dollars a year). The defining structural characteristic of the proletariat in Marx's analysis of capitalism is the *socio-economic compulsion to sell one's labour-power*. Included in the proletariat, then, are not only manual industrial workers, but all unproductive wage-labourers who are subject to the same fundamental constraints: non-ownership of means of production; lack of direct access to the means of livelihood (the land is by no means freely accessible!); insufficient money to purchase the means of livelihood without more or less continuous sale of labour-power. Thus, all those strata whose salary levels *permit* accumulation of capital in addition to a 'normal' standard of living are excluded from the proletariat. Whether such accumulation actually takes place is in itself irrelevant (although monographs and statistics tend to confirm that, to a modest or sizeable degree, this social group does engage in it; this is the case especially of the so-called managers, who – notwithstanding a platitude which continues to circulate in spite of all evidence to the contrary – are part and parcel of the capitalist class, if not necessarily of its top layer of billionaires).

This definition of the proletariat, which includes the mass of unproductive wage-earners (not only commercial clerks and lower government employees, but domestic servants as well), and which considers productive workers in industry as the proletarian vanguard only in the broadest sense of the word, has been challenged recently by several authors.⁵⁸ It was, however, undoubtedly the one advanced by Marx and Engels and their most 'orthodox' followers: the mature (not the

58. Gillman groups 'the advertising managers, the directors of public relations, the legal counsel, the tax experts, the "sales engineers", the legislative lobbyists, their clerical assistants' together with 'the rest (!) of the growing host of white-collar workers' in the general category of 'third party consumers'. Although he does not explicitly say so, he thereby tends to exclude them from the proletariat (*The Falling Rate of Profit*, London, 1957, pp. 93 and 131). This view clearly influenced Paul Baran's analyses in *The Political Economy of Growth* (New York, 1957) and those of Baran and Paul Sweezy in *Monopoly Capital* (New York, 1966). Boccaro et al. (*Le Capitalisme monopoliste d'état*, Paris, 1971) explicitly exclude the 'intermediate salaried layers' from the proletariat, reducing the latter to the sole group of productive workers (workers producing surplus-value). (See pp. 213 and 236ff.)

senile) Kautsky, Plekhanov, Lenin, Trotsky, Luxemburg et al.⁵⁹ But it raises a weighty objection. If only productive labour produces value and thereby reproduces the equivalent of its own wages (besides creating surplus-value),⁶⁰ does this not imply that the wages of unproductive labour are paid out of surplus-value produced by productive labour? And in that case, does there not arise a major conflict of interests between productive and unproductive labour, the first seeking to reduce surplus-value to a minimum, the second wishing it to be increased? How can such a basic conflict of interest be reconciled with the inclusion of both sectors in the same social class? Furthermore, should the industrial workers not be opposed to any expansion of state expenditure, even in

59. The sources are too numerous to be listed exhaustively. The following are particularly worthy of note: *Capital Volume 1*, op.cit., p. 798, where the unemployed sick, disabled, mutilated, widowed, elderly, etc., are designated as the 'pauperized sections [*Lazarusschicht*] of the working class'; *Capital Volume 2* (see below, p. 516), where Marx defines the class of wage-labourers as those who are under constant (continuous) compulsion to sell their labour-power (on p. 561 servants – *die Bedientenklasse* – are also characterized as wage-labourers). Rosa Luxemburg (*Einführung in die Nationalökonomie*, Berlin, 1925, pp. 263–4 and 277–8) similarly includes casually and occasionally employed workers, as well as paupers, the sick and unemployed and so on as members of the working class. Trotsky (1905, London, 1972, p. 43) groups domestic servants under the same heading, and Kautsky (*The Class Struggle: Erfurt Program*, New York, 1971, pp. 35–43) explicitly includes in the ranks of the proletariat commercial and industrial wage-earners. In his draft programme of the Russian Social Democratic Labour Party, Plekhanov defines the proletariat as those who are forced to sell their labour-power (see Lenin, *Collected Works*, Vol. 6, p. 19), later extending it to 'persons who possess no means of production and of circulation ... All these persons are forced by their economic position to sell their labour-power constantly or periodically' (pp. 61–3). While Lenin contested the introduction of the words 'and of circulation', he raised no essential objection to the formulation.

60. An interesting borderline case is that of the so-called semi-proletariat – i.e. the layer which retains partial ownership of its own means of production. Its income, which is derived from agricultural and handicraft commodities privately produced at a productivity of labour far below the social average, barely exceeds its costs of production, and is therefore insufficient to secure the barest livelihood. The semi-proletariat is thus forced to work part of the time as wage-labour. But precisely because it sells its labour-power *only temporarily*, its wages can be driven far below the prevailing social minimum. Its social existence is characterized by a striking contradiction: while it is in no way involved in the extraction or consumption of surplus-value, both its immediate and its historic interests stand in a certain limited opposition to those of the proletariat proper. That is why the semi-proletariat, unlike unproductive workers and other straightforward wage-earners, cannot be regarded as a fraction of the proletariat; it represents rather a transitional phenomenon, with one foot in the petty bourgeoisie and another in the proletariat.

the realm of 'social services', since this is financed in the last analysis through an increase in surplus-value extracted from them?

This objection can be countered at two levels. To begin with, it is not true that all unproductive labour is paid out of currently produced surplus-value. An important part of that labour (e.g. commercial employees, workers in the financial sector and those in unproductive service industries) is paid not out of currently produced surplus-value, but out of that portion of *social capital* which is invested in these sectors. Only the *profits* of these capitals form part of currently produced surplus-value. It is true that social capital is the result of *past* extortion of surplus-value. But this applies also to variable capital, i.e. to wages currently paid out to productive workers. The important point here is that, since wages and salaries in all these sectors are not drawn from *currently produced surplus-value*, *their payment in no way reduces the currently paid wages of productive workers*.⁶¹

Part of the wages bill of unproductive labour, however, is financed out of currently produced surplus-value. This concerns essentially the wages and salaries of state employees in public services and administration (not, of course, the state industries, where autonomous commodity production and therefore value production occur). But in order to conclude from this that a reduction of state expenditure entails a reduction of surplus-value and an increase in real wages (or, which amounts to the same thing, that the rise in state expenditure has occurred through an increase in surplus-value and a reduction in real wages), it would be necessary to undertake a very detailed analysis of the trend of the rate of exploitation and of workers' living standards and needs since the 'explosion' of state expenditure. Such an examination is clearly beyond the scope of this introduction, but two crucial points should be made.

First, the concept of 'gross wages' (i.e. wages before tax) has no meaning in Marxist economic theory. Wages are means of reconstituting the

61. These wages increase the total mass of social capital among which the *given* quantity of surplus-value has had to be divided (in other words, they lower the average rate of profit). But as far as the industrialists are concerned, this is a lesser evil. If there were no autonomous commercial capital and commercial wage-earners, their own capital outlays to cover the costs of circulation would be significantly higher, and the rate of profit still lower (see *Capital Volume 3*, Chapter 17). Since this only concerns the distribution of a given mass of surplus-value between different forms of capital, with no *direct* bearing on the division of newly created value between wages and surplus-value (i.e. on the rate of exploitation of productive labour), there arises no conflict of interest between productive and commercial wage-earners.

worker's labour-power through the purchase of commodities and services. Thus money deducted from the worker's 'gross wage' to help the state buy aeroplanes has nothing at all to do with wages. It is from the outset part of social surplus-value. (Of course, if fresh taxes actually lower previously attained levels of real wages, they may indeed be said to have increased the rate of surplus-value. But again this will be measured by comparing successive amounts of net - real - wages, and not 'gross wages'.)

Similarly, it would be absurd to construe state medical, educational or transport services which help reconstitute the worker's labour-power (or maintain his family under normal living conditions) as derived from surplus-value; they represent rather *a socialized portion of the wage*, regardless of whether it passes through the form of 'state revenue', and regardless of whether it 'originated' in 'gross wages' (taxes paid by the worker), 'gross profits' (taxes paid by the capitalist), or the 'gross income' of independent middle classes.⁶²

It thus proves meaningful after all to examine the impact of a rise or fall in state expenditure on *average working-class living standards*, independently of its servicing (mediation) by unproductive state employees. Where these living standards decline, the conclusion is obvious: the total price of labour-power (individual plus 'socialized' wages) has been reduced. Where they rise, however, no sophism can prove that this entails an increase in social surplus-value. (To be sure, it could be *accompanied* by such an increase, but then so could a rise in real direct wages. 'Accompanied by' is not synonymous with 'caused by', except for people with faulty logic.)

As Marxist economic theory rejects the notion of a rigid 'wages fund',

62. It has been objected that unemployment compensation can by no means be considered as the equivalent of the 'price' or 'value' of a commodity called 'labour-power', for by definition the unemployed do not sell their labour-power. However, this argument is based on a somewhat mechanistic reduction of the category 'socialized wages'. Nobody could assert that, if a worker places 10 per cent of his current wages in a chocolate box or a bank account in order to provide for the portion of his 'active adult life' during which he expects to be unemployed, that amount of money thereby ceases to be part of his wages. There is no fundamental difference between this and the situation where all workers use a collective chocolate box or bank account called the National Institute of Unemployment Insurance or National Institute of Social Security, and where the sums of money do not pass through the workers' pay packets but are transferred directly from the capitalists' accounts to these institutes. Only if this analysis is accepted, by the way, is it legitimate to demand that such funds be exclusively administered by the unions (for neither the employers nor the state should have any say in how the workers spend their own money!).

any analysis of the effects of varying levels of state expenditure upon the rate of exploitation would have to be aggregate and dynamic. Nothing flows automatically from either the expansion or contraction of state expenditure. Thus, for it to be shown that it was rising at the expense of the working class, it would have to be proved that, under the given economic, social and political conditions, a reduction in expenditure would lead to higher real wages rather than higher profits for the capitalist class. Without such detailed proof, the thesis would remain doubtful, to say the least. The analysis would have to take into account the probable dynamic of the political and social class struggle (a function of, among other things, the great historical shifts in the economic correlation of class forces within a given bourgeois society) and its precise impact upon the structure of both state revenue and state expenditure.

We seem to have strayed considerably from the problem of productive and unproductive labour, and its relation to the definition of the proletariat. But in reality, we have only now arrived at the heart of the problem. For the correct Marxist classification of the proletariat - the class which is forced by socio-economic compulsion to sell its labour-power to the capitalist owners of the means of production - implies that both variations in the level of the reserve army of labour, and the variegated relations between the 'purely physiological' and 'moral-historical' components of the value of labour-power,⁶³ are of decisive importance for the proletarian's immediate destiny.

Once we understand this, we can see the significance of the growth of unproductive wage-labour, which accompanies the absolute and relative increase in the size of the proletariat in contemporary capitalist countries.⁶⁴ Far from reflecting increased exploitation of productive labour or a

63. See my introduction to *Capital* Volume 1, op. cit., pp. 66-72, and *Late Capitalism*, op. cit., pp. 149-58.

64. *Wage earners (incl. unemployed) as % of total active population*

	1930s	1974
Belgium	65·2% (1930)	83·7%
Canada	66·7% (1941)	89·2%
France	57·2% (1936)	81·3%
Germany	69·7% (1939)	84·5% (West Germany)
Italy	51·6% (1936)	72·6%
Japan	41·0% (1936)	69·1%
Sweden	70·1% (1940)	91·0%
U.K.	88·1% (1931)	92·3%
U.S.A.	78·2% (1939)	91·5%

Sources: For the 1930s, *Annuaire des statistiques du travail*, 1945-6, Bureau International du Travail, Montreal, 1947; for 1974, *Office statistique des communautés européennes: statistiques de base*, 1976.

sharp rise in the rate of exploitation, it has rather established a ceiling above which the rate of exploitation can hardly climb under ‘normal’ political circumstances (excluding, that is, fascist or fascist-type régimes). For, despite the rapid replacement of living labour by dead labour (semi-automated machinery), it is this growth of unproductive wage-labour which, in many capitalist countries, has reduced the reserve army of labour for a whole historical period. Moreover, the services provided by a significant sector of unproductive wage-labour have been a major factor in developing the needs and living conditions of the proletariat far beyond the purely physiological bedrock. The new minimum standard which has arisen is, at least in the imperialist countries (and in some of the most developed semi-colonial countries with a powerful labour movement, like Argentina), much higher than the one existing in Marx’s time.

This acquisition should obviously not be taken for granted or regarded as unassailable. It is nothing but a conquest made by the working class under favourable conditions on the labour market (long-term decline of structural unemployment) and rendered objectively possible by the long post-war period of accelerated economic growth. Since the early seventies, as was foreseeable, this basic economic situation has been reversed.⁶⁵ Massive structural unemployment has reappeared, together with savage attacks in many ‘rich’ countries on the real wages of the working class, be they aimed at ‘direct’ or ‘socialized’ wages or at both. Correctly, the workers have reacted strongly against massive cuts in social state expenditure, thereby showing that their class instinct is clearer than the ‘science’ of those theoreticians who persist in calling all state expenditure ‘surplus-value’ (the logical consequence of which would be indifference to, or even approval of the cut-backs).

8. LUXURY PRODUCTION, SURPLUS-VALUE AND ACCUMULATION OF CAPITAL

Also related to the integration of Marx’s labour theory of value with his theory of reproduction is the question of the exact nature of the labour which produces luxury goods, as well as its function in reproduction. This problem is important not so much because of the role of luxury consumption as such, but because of the obvious analogy between luxury products and another sector which has played an ominously

65. See Chapter 4 of *Late Capitalism*, op. cit.

growing role in capitalist economy ever since Marx wrote *Capital*. We are referring, of course, to *arms production*.

Controversy over the exact function of the arms sector under capitalism has been raging since the end of the nineteenth century, when the Russian populist V. Vorontsov raised for the first time the possibility of avoiding crises of over-production through ‘absorption’ of part of surplus-value by increased arms production.⁶⁶ In the thirties and forties, a long debate among Marxists took up the role of rearmament in overcoming the long-term stagnation of the international capitalist economy during the inter-war period. Since the war, the Vance–Cliff–Kidron school has assigned a crucial position to the ‘permanent arms economy’ in the explanation of the long economic ‘boom’; and arms production occupies a central place in the process of ‘surplus absorption’ presented in Baran and Sweezy’s *Monopoly Capital*.⁶⁷ More recently still, a new controversy has arisen between the author of this introduction and various other Marxist economists, centring on the specific relation of arms production to the evolution of the mass and rate of profit under late capitalism.⁶⁸

Marx’s theory sees the essence of value in abstract social labour, irrespective of the specific use-value of the commodity it produces. The existence of some kind of use-value is a precondition of the realization of exchange-value only in the immediate and obvious sense that nobody buys a good which has absolutely no use for him. But the social fact of purchase is sufficient proof of the use-value of a commodity, that is, of its usefulness to its buyer. Hence only *unsold* commodities do not embody socially necessary labour and thus have no value; those which are sold are by definition the product of socially necessary labour and increase through their production the mass of socially produced value. Under capitalism, also by definition, the production of all sold commodities created by wage-labour increases the total mass of surplus-

66. Quoted in Luxemburg, *The Accumulation of Capital*, op. cit., p. 282.

67. Here again, the list of books is too long to be reproduced in full. Leaving aside older works, the following deserve mention: Nathalia Moszkowska, *Zur Dynamik des Spätkapitalismus*, Zurich/New York, 1943; T. N. Vance, *The Permanent War Economy*, Berkeley, 1970; Adolf Kozlik, *Der Vergeudungskapitalismus*, Vienna, 1966; Baran and Sweezy, *Monopoly Capital*, op. cit.; Fritz Vilmar, *Rüstung und Abrüstung im Spätkapitalismus*, Frankfurt, 1965; Michael Kidron, *Western Capitalism since the War*, London, 1968. Of less direct relevance is Gillman, *The Falling Rate of Profit*, op. cit.

68. See my arguments in *Late Capitalism*, op. cit., Chapter 9, and those of Cogoy, *Werttheorie und Staatsausgaben*, op. cit., pp. 165–6. See also Paul Mattick, *Kritik der Neomarxisten*, Frankfurt, 1974.