

Vulgar Economy

or

A Critical Analyst of Marx Analyzed

By

Daniel De Leon

Transcribed by

ROBERT BILLS

For the official Web site of the Socialist Labor Party of
America.

“Once for all I may here state, that by classical political economy, I understand that economy, which, since the time of W. Petty, has investigated the real relations of production in bourgeois society, in contradistinction to vulgar economy, which deals with appearances only, ruminates without ceasing on the materials long since provided by scientific economy, and there seeks plausible explanations of the most obtrusive phenomena, for bourgeois daily use, but for the rest, confines itself to systematizing in a pedantic way, and proclaiming for everlasting truths, the trite ideas held by the self-complacent bourgeoisie with regard to their own world, to them the best of all possible worlds.”

—Marx.¹

¹ *Capital*, page 53.—*R.B.*

Preface.

In sending out in book form this work by Daniel De Leon, which is the first published since his death, a few remarks on the author and the subject treated might not be amiss. The pamphlet is made up of a series of articles which appeared in the *Daily People* from April 8 to June 29, 1912, and should have been concluded by an “Epilogue.” For some reason De Leon did not finish this chapter, and the notes left are not complete, and what there is, is hardly legible.²

Daniel De Leon was born on December 14, 1852, on the island of Curaçao, off the coast of Venezuela. He came of an aristocratic Spanish family. His father, Solon De Leon, was a physician and wealthy landowner, and the son was brought up in keeping with the traditions and customs of South American feudal-aristocracy.

After having spent several years abroad studying at the largest universities, he returned to the United States, which henceforth became his home. Having taken a course in the Columbia Law School, he was awarded prizes on international and constitutional law. But for his entrance into the labor movement he would have succeeded to the professorship; when, however, during the Henry George campaign,³ he manifested sympathies for the then popular movement, he was made to feel that his place was no longer in the university, if he adhered to views other than those which tradition of “the centers of learning” dictated, and he left.

² The notes are lost.—*R.B.*

³ New York City mayoral campaign of 1886.—*R.B.*

From the time of his entrance into the labor movement he waged a bitter fight against the forces of reaction and corruption, both within as well as without the movement. Always insisting on an open and straightforward course, never temporizing, and equipped with a mind and a store of knowledge equaled by few, he soon became the storm-centre of the Revolution. Many were the enemies he made, but from many others he won undivided respect and admiration. He was undoubtedly the greatest Marxian scholar in the International Movement, yet it was not from Marx alone that he drew his strength. In fact, he told the writer once that it was the reading of *Ancient Society* by Morgan, the great American ethnologist, that finally caused him to see the contradictions and hopeless doom of Capitalism and private property systems. Before casting his lot with Socialism he desired to investigate the theories of Anarchism, and, as he himself related, sent for all the issues of *Liberty*, a paper published by Ben. Tucker. Having read all of that, he decided that an Anarchist he could never be.

In the course of his long career in the Socialist Movement he dealt many a fatal wound to the “Political Economy” of Capitalism, better known to Marxists as “Vulgar Economy.” And just as mercilessly as Marx exposed the absurdities and vulgarities of the Seniors, M’Cullochs, Benthams, and Says, so did De Leon in his day tear to pieces the false reasoning and misrepresentations of their lineal descendants, the Seagers, Fishers, Taussigs, Mallocks and the Skeltons. His brilliant address entitled “Marx on Mallock” shows him at his best, and in the present work he furnishes ample proof of the statement of Marx that “the vulgar economist does practically no more than to translate the queer concepts of the capitalists. . . into a more theoretical and generalizing language and to attempt a vindication of the correctness of those conceptions.”

With Marx he shared a profound admiration for those investigators in the field of Political Economy who had really contributed to that science. Thus, for instance, he

was loud in praise of that great American, Benjamin Franklin, whom Marx also refers to as “the celebrated Franklin” and of whom he says that he was one of the first economists after William Petty, who saw through the nature of value. De Leon refers to him in such terms as “the venerable, the learned Franklin.” He also gave credit to John Stuart Mill where credit was due, as did Marx, who while criticizing Mill, warns the reader not to classify him with the economists of the “species vulgaris.” In many other respects the two men resembled each other closely.

Marx furnished the theoretical foundation for the labor movement and pointed the way the working class must travel. De Leon, with supreme scorn for those who thought that Marx was a “back number,” and required to be “amended,” by applying these theories of Marx, demonstrated the absolute soundness and correctness of them, and crystallized them into concrete principles. Marx died a premature death, and so did De Leon, both, literally speaking, working themselves to death. Yet both of them left treasures in the form of their writings; and just as the International Movement universally has adopted the Marxian principles as its foundation, so that movement must eventually adopt the principles for which De Leon fought so hard, so earnestly and so unselfishly. The recognition of the correctness of his theories will be a lasting tribute to his genius.

ARNOLD PETERSEN.

Skelton's Ney and Sheridan.

The story has come down from the 18th Century days of the British stage that a riotous customer having started a disturbance in the gallery, and having been seized by those near by, and being about to be thrown over the railing, a voice went up from the pit: "Don't waste him! Don't waste him! Drop him on a fiddler!" It would be a pity to allow "*Socialism, A Critical Analysis*, by O.D. Skelton, Ph.D., Sir John A. Macdonald Professor of Political Science, Queen's University, Kingston, Canada," published by Houghton Mifflin Company, to go to waste. We propose to drop the *Critical Analysis* upon the rock of facts and thus utilize as a demonstrator what was meant to be a ripping up of Marxism.

To this end Prof. Skelton's *Critical Analysis* offers exceptional opportunities. We shall avail ourselves of the opportunity in a series of articles, the present being the first.

Prof. Skelton, p. 128, is astounded at the "gaps in the Marxian theory" concerning "the function of the entrepreneur in modern industry"; on the same page, he asserts "Marx persistently refuses to make any adequate allowance for entrepreneur activity except as exerted to furthering the exploitation of the laborer."

Such is the *aplomb* with which the really astounding statement is made, that even one familiar with the style and methods of anti-Marxist "critical analyzers" feels the breath taken out of him—for a second.

Does not Marx say: "Capitalist production only then really begins, as we have already seen, when each individual capital employs simultaneously a

comparatively large number of laborers; when, consequently, the labor process is carried on on an extensive scale, and yields, relatively, large quantities of products. A greater number of laborers working together, at the same time, in one place (or, if you will, in the same field of labor), in order to produce the same sort of commodity under the mastership of one capitalist, constitutes, both historically and logically, the starting point of capitalist production”—are not these Marx’s words? Why, yes, literally, on page 311, Swan Sonnenschein and Co. edition. And what is this “mastership of one capitalist” if not entrepreneurship? And what does Marx call that but historically and logically the starting point of capitalist production? Can our critical analyst of Marxism have overlooked the great chapter on “Co-operation” in which this and similar passages occur?

As one reads on, asking these questions to himself, he comes to the immediately following, the opposite page of Prof. Skelton’s *Critical Analysis* where Marx is quoted:

“Just as the offensive power of a squadron of cavalry or the defensive power of a regiment of infantry is essentially different from the sum of the offensive or defensive powers of the individual cavalry or infantry soldiers taken separately, so the sum total of the mechanical forces exerted by isolated workmen differs from the social force that is developed when many hands take part simultaneously in one and the same undivided operation.” {p. 315}

As one reads this passage he exclaims: “Why, our critical analyzer surely is familiar with the chapter on ‘Co-operation.’ The passage is quoted from that chapter, which amply and repeatedly fills the alleged ‘astounding gap’ regarding the entrepreneur in the Marxian theory!” But the reader’s belief regarding the fullness of the critical analyzer’s reading is no longer formulated than it is shattered. Immediately after quoting the passage Prof. Skelton asks:

“Does a Ney or a Sheridan count for nothing in a cavalry charge?{”}

Assuredly they do—but the bourgeois is neither a Ney, nor a Sheridan, leastwise is a Ney and Sheridan rolled in one.

The question whether a Ney or a Sheridan count for nothing betrays the fact that, critical analyzer tho' he considers himself, Prof. Skelton only skimmed over the chapter on "Co-operation." The question reveals the fact that that chapter is substantially a closed book to our Professor. The question betrays the fact that our Professor does not know that in that very chapter Marx demonstrates the importance of the Neys and the Sheridans, and that he also demonstrates the false claim concerning the capitalist manufacturer being the Ney or the Sheridan.

Let us now introduce Marx's *Capital* to our John A. Macdonald Professor of Political Science.

As to the important mission that Marx demonstrates the Neys and Sheridans to fill in production, the following passage (p. 321) will illustrate:

"All combined labor on a large scale requires, more or less, a directing authority, in order to secure the harmonious working of the individual activities, and to perform the general functions that have their origin in the action of the combined organism, as distinguished from the action of its separate organs. A single violin player is his own conductor; *an orchestra requires a separate one.*" {De Leon's emphasis}

As to the falsity of the claim that the bourgeois is the orchestra director, or, in Prof. Skelton's language, a Ney or a Sheridan, Marx says (p. 322):

"Just as at first the capitalist is relieved from actual labor so soon as his capital has reached that minimum amount with which capitalist production, as such, begins, so now, he hands over the work of direct and constant supervision of the individual workmen, and groups of workmen, to *a special kind of wage laborer*. An industrial army of workmen, under the command of a capitalist, requires, like a real army, officers (managers), and sergeants (foremen, overlookers), who while the work is being done, command in the name of the capitalist. *The*

work of supervision becomes their established and exclusive function. ” {De Leon’s emphasis}

Nor did Marx leave the matter at that point. Having specified who the Neys and Sheridans of production actually are, having shown them to be wage slaves, Marx then sums up the matter from the other side with this master stroke (p. 323):

“It is not because he is a leader of industry that a man is a capitalist, {on the contrary,} he is a leader of industry because he is a capitalist. The leadership of industry is an attribute of capital, just as in feudal times the functions of general and judge were attributes of landed property.” In other words, it is not because he is a Ney or a Sheridan that the bourgeois is a capitalist, it is because he is a capitalist that he assumes the honors, while others fill the actual functions of the Neys and Sheridans—the same as at their regattas the Iselins⁴ prance in nautical titles, while paid wage slaves perform the functions and display the talents of commodores.

Prof. Skelton means with his question—“Does a Ney or a Sheridan count for nothing in a cavalry charge?”—first, to iterate his assertion that Marx knows not the Neys or Sheridans of production; and, secondly, to prove the bourgeois’ claim to Ney-and-Sheridanship. Had Prof. Skelton read *Capital* he would have learned that, as to the first, Marx expressly proves the existence and function of the Neys and Sheridans; and, as to the second, that Marx as expressly disproves the capitalist’s title to the names of offices.

Daily People, Vol. XII, No. 283. Monday, April 8, 1912

⁴ A reference to banking capitalist and “yachtsman” Charles Oliver Iselin (d. Jan. 11, 1932).—R.B.

Skelton on Marx's Law of Value—I.

We have promised a series of articles on *Socialism, A Critical Analysis*, a 300-page book issued by “O.D. Skelton, Ph.D., Sir John A. MacDonald Professor of Political Science, Queen's University, Kingston, Canada,” and we published, a week or so ago, the initial article of the promised series, a sort of overture, preface, or introduction to the series. The initial article was entitled “Skelton's Ney and Sheridan.” It afforded a bird's-eye inside view into the structure of the *Critical Analysis*. To-day we take up a more concrete and fundamentally economic Marxian principle which the *Critical Analysis* analyzes and imagines it makes short work of—the Marxian law of value.

Prof. Skelton's refutation of the Marxian law of value is presented in such tangle-foot style that it can not be really enjoyed and profited by without first decomposing it into its constituent elements. The decomposition and subsequent synthesis we shall present in five or six successive articles, of which the present is the first, under the above head.

As starting point, and subject for subsequent demonstration, the law of value, as enunciated by Marx, and later to be presented in its fullness, but here briefly stated is:—

The value, exchange value, of commodities is determined by the amount of socially necessary labor-power for production crystallized in them. Actual exchange does not always take place by that standard. The perturbations of the market, due mainly to varying supply and demand, one time sends the price up above, other times sends it down below the value. Value is the center towards which current prices gravitate. Hence “value” and “price” are different things, though they may, and periodically and in the long run do coincide.

The Marxian law Prof. Skelton scoffs at with an abundance of facile and, often, prettily turned sentences—the scoffs we may ignore; and he “refutes” the Marxian law

with a series of labyrinthian argumentations, buttressed up with the needed buttresses. The buttresses involve not reasoning. They involve only issues of fact, facts, the distortion of which our Professor tumbled into (we wish to think unintentionally) as necessary to prop up the labyrinthian architecture of his argumentation. Let the field be first cleared of the buttresses.

As to the first—

Prof. Skelton asserts (p. 124) that the identification of “value” and “price,” in other words, a conception that flies in the face of the Marxian law, “is the view which prevailed among both the advocates and the critics of Marxism till the publication of the third volume.”

The statement is so astounding that one breaks off at that place, and anxiously looks down to the foot of the page for some reference in substantiation. That “the critics of Marxism” ever, before and after the publication of the so-called third volume of *Capital*, and life without end, have identified, that is, confused, “value” and “price” we know. For them Marxism is no more responsible than it is for Skeltonism. What Marx so frequently called “Vulgar Economists” are too shallow to comprehend the cleft there is between “value” and “price,” and have ever tripped there, a, to them, veritable *pons asinorum* (donkeys’ bridge). But, “the advocates of Marxism”!?! Which of them? Where? When?

Vainly does one look over Prof. Skelton’s pages for an answer. Neither in footnotes, nor in text is the slightest trace to be found. Look up and down the page; back of it; in front of it; hold it to the light and seek to see through it;—nary an answer to the question, What advocate of Marxism, where and when, had, until the publication of the third volume, said anything to justify the assertion that he “identified” the Marxian concepts of “value” and “price”?—nary a reference to, or the shadow of a citation of, an utterance by an advocate of Marxism to substantiate Prof. Skelton’s assertion, a necessary buttress for the Professor’s argument though the assertion is.

No wonder! There is none such advocate of Marx who ever did as charged.

Indeed, had the eyes of O.D. Skelton, Ph.D., Sir John A. Macdonald Professor of Political Science, Queen's University, Kingston, Canada,—one can not help lapsing into contrasting the length of title with the shortness of knowledge of the title's bearer—had Prof. Skelton's eyes not been kept shut by the anxiety to carry off the \$1,000 prize offered by the firm of Hart, Schaffner & Marx of Chicago for the best essay against Socialism, a prize that his book carried off, he would have found instances in abundance of just the opposite of that which he so positively asserts.

For the benefit of Prof. Skelton, etc., we shall perform upon him free, gratis, and for nothing, the oculist operation of prying his eyes open.

The so-called “third volume” of *Capital* that Prof. Skelton mentioned, as quoted above, was published in 1894. Down to then, according to Prof. Skelton, the view that “value” and “price” were identical was the view which prevailed among the advocates of Marxism themselves.

Now, then, in the preface, written by Frederick Engels, to Marx's refutation of Proudhon, entitled in the English translation *The Poverty of Philosophy*, (Twentieth Century Press, London, edition) the following passages occur:

“The value of commodities is determined by the labor exacted by their production. But it is found that in this wicked world commodities are bought sometimes above, sometimes below, their value, and besides, there is the relation to the variations of competition. As the rate of profit has a tendency to maintain itself at the same level for all capitalists, the price of commodities tends also to sink to the value of labor, through the intermediary of supply and demand.” (p. VII.)⁵

Again, and speaking of modern society where the production of commodities is carried on for sale or exchange:

“The continual deviation of the price of commodities in relation to the value of commodities is the necessary condition by which alone the value of commodities can

⁵ Page 15 of Kerr edition.—R.B.

exist. It is only by the fluctuations of competition, and following that, of the price of commodities, {that the law of value realizes itself in the production of commodities} and that the determination of value by the labor time socially necessary becomes a reality.” (p. XIII.)⁶

These citations should do.

One thing now remains to be established under the head under consideration—what was the date of the Engels preface containing these passages, which so far from identifying, explicitly distinguish “value” from “price”? The preface is dated, London, October 23, 1884—fully ten years before “the publication of the third volume.”

Fact is that—since Marx’s precise establishment of the scientific law of value, precisely distinguishing between “value” and “price”—no scientist in economics, hence, no “advocate of Marxism” ever incurred the shallow and slipshod bourgeois reasoning of identifying “value” and “price.”

—And there goes buttress No. 1.

Daily People, Vol. XII, No. 294. Friday, April 19, 1912

⁶ Page 21, Kerr edition.—*R.B.*

Skelton on Marx's Law of Value—II.

In the previous and first article under this head, one of the buttresses with which Prof. Skelton found it necessary to buttress his labyrinthian argumentation against the Marxian law of value—the assertion that the identification of “value” and “price” was the view which prevailed among the advocates of Marxism till the publication of the third volume of *Capital*—was torn down and removed. It will be the object of this article likewise to demonstrate the falsity of another buttress, and clear that out of the way.

Prof. Skelton asserts (p. 124): “There is no doubt that even in the first volume of ‘Capital’ Marx implies in several brief passages a distinction between value and price. There is also no doubt that the tenor of the greater part of the volume is in the contrary direction.”

Thus sayeth O.D. Skelton, Ph.D., Etc., Etc., Etc., as to what Marx says. Now let us see what Marx himself says. The page references are to the Swan Sonnenschein edition:

“The characters that stamp products as commodities, and whose establishment is a necessary preliminary to the circulation of commodities, have already acquired the stability of natural, self-understood forms of social life, before man seeks to decipher, not their historical character, for in his eyes they are immutable, but their meaning. Consequently it was the analysis of the prices of commodities that alone led to the determination of the magnitude of {their} value” (p. 47).

Having thus preliminarily indicated what he calls the feature of “Vulgar Economy” to look at things as immutable, and the historic importance of “price” and “value,” Marx undertakes in the following chapter but one, a nearly 40-page analysis of “Money, or the Circulation of Commodities,” in which, out of a large number, we shall quote these passages:

“The price-form, however, is not only compatible with the possibility of a quantitative incongruity between magnitude of value and price, i.e., between the former and

its expression in money, but it may also conceal a qualitative inconsistency, so much so, that, although money is nothing but the value-form of commodities, price ceases altogether to express value. Objects that in themselves are no commodities, such as conscience, honor, etc., are capable of being offered for sale by their holders, and of thus acquiring through their price the form of commodities. Hence an object may have a price without having value. The price in that case is imaginary, like certain quantities in mathematics. On the other hand, the imaginary price-form may sometimes conceal either a direct or indirect real value-relation; for instance, the price of uncultivated land, which is without value, because no human labor has been incorporated in it.” (p. 75.)

Again:—

“The division of labor converts the product of labor into a commodity and thereby makes necessary its further conversion into money. At the same time it also makes the accomplishment of this trans-substantiation quite accidental. Here, however, we are only concerned with the phenomenon in its integrity, and we therefore assume its progress to be normal. Moreover, if the conversion take place at all, that is, if the commodity be not absolutely unsalable, its metamorphosis does take place although the price realized may be abnormally above or below the value.” (p. 81.)

Further on, when considering the “Contradictions in the Formula of Capital{,}” and still further on under “Value of Labor Power and Wages,” Marx returns to {the} difference between “price” and “value,” and utters himself in a manner the clearness of which may be gathered from the following passage:

“Little as Vulgar-Economy knows about the nature of value, yet whenever it wishes to consider the phenomena of circulation in their purity, it assumes that supply and demand are equal, which amounts to this, that their effect is nil.” (p. 136).

And again: “Classical political economy borrowed from every-day life the category ‘price of labor’ without further criticism, and then simply asked the question, how

is this price determined? It soon recognized that the change in the relations of demand and supply explained in regard to the price of labor, as of all other commodities, nothing except its changes, i.e., the oscillations of the market price above or below a certain mean. If demand and supply balance, the oscillation of prices ceases, all other conditions remaining the same. But then demand and supply also cease to explain anything,” (p. 548), in other words, supply and demand do not determine value, they send prices up above, or down below value.

Finally, and with an eye especially upon the portion of Prof. Skelton’s sentence to the effect that altho’ “there is no doubt” that Marx “implies in several brief passages” a distinction between value and price, **“there is also no doubt that the tenor of the greater part of the volume is in a contrary direction,”** the following passage will suffice: “Despite the important part which this method [the lowering of wages below the value of labor-power] plays in actual practice, we are excluded from considering it in this place, by our assumption that all commodities, including labor-power, are bought and sold at their full value” (p. 302).

Vulgar Economy may be right, or may be wrong, in identifying “value” and “price{,}” using two words to express the identical idea. Marx may be a driveling idiot to distinguish between the two terms—that is not, at this point, the issue—the issue is whether Marx makes the difference. The fact is that he extensively elaborates the difference—the fact is that “price,” with him, is the money expression which “value” fetches in the market; that “price” may rise above, or fall below, and other times coincide with “value,” the amount of the socially necessary labor-power crystallized in a commodity; hence, that “value” and “price” are not used by him as identical terms; finally, that having, for the sake of considering the law of value unperturbed by perturbing circumstances, assumed “price” to be normal, the arguments based upon the assumption can not be considered as evidence that Marx identifies “price” and “value” “in the greater part” of his work.

A second buttress is now torn down and cleared from the field.

Daily People, Vol. XII, No. 301. Friday, April 26, 1912

Skelton on Marx's Law of Value—III.

The third buttress, with which Prof. Skelton wisely found it necessary to prop up his labyrinthian refutation of Marx's law of value, and, the sling of Fact being thrown around it, will now be torn down, so as to clear the field of its vision-distorting influence, is the allegation: "Next Marx brings in by a side door the factor of utility. 'Nothing can have value,' he declares, 'without being an object of utility.'" (p. 117.)

There can be no mistaking the presentation made of the Marxian method by this passage. The paragraph immediately preceding the one with which the passage opens, and from which it is here reproduced, starts with saying that "Marx begins his demonstration" by arguing that the magnitude of value contained in a commodity is measured by the quantity of human labor embodied in it. The statement, immediately following that paragraph, emphasizes the paragraph, and the paragraph emphasizes the statement. The words and their arrangement can mean nothing else than that Marx first ignored the use-value or utility feature of commodities, and, after having presented the exchange value feature of commodities, and finding the same limping, then "brings in by a side door the utility previously disregarded."

There is nothing like "chucking a bluff" boldly. Even a well posted Marxist is temporarily disconcerted, especially if he supposes he is dealing with a scientist, precise in his utterances, accurate in his statements. The passage makes reference to a footnote. The eye glances down to that and sees itself referred to *Capital*, I, pp. 2–7." That is very much the beginning of *Capital*. Nevertheless, recollections of *Capital* are at variance even with "p. 7," however early in the work "p. 7" must be. The inquirer takes up *Capital*; and what does he find?

He finds that Prof. Skelton has recklessly misstated the fact.

The first paragraph of *Capital*, only four and a half

lines long, roughly sketches the appearance of capitalist society as an immense accumulation of commodities. Immediately after that short introductory paragraph, follow the following three:

“A commodity is, in the first place, an object outside of us, a thing that by its properties satisfies human wants of some sort or another. The nature of such wants, whether, for instance, they spring from the stomach or from fancy, makes no difference. Neither are we here concerned to know how the object satisfies these wants, whether directly as means of subsistence, or indirectly as means of production.

“Every useful thing, as iron, paper, etc., may be looked at from the two points of view of quality and quantity. It is an assemblage of many properties, and may therefore be of use in various ways. To discover the various uses of things is the work of history. So also is the establishment of socially recognized standards of measure for the quantities of these useful objects. The diversity of these measures has its origin partly in the diverse nature of the objects to be measured, partly in convention.

“The utility of a thing makes it a use-value. But this utility is not a thing of air. Being limited by the physical properties of the commodity, it has no existence apart from that commodity. A commodity, such as iron, corn, or a diamond, is therefore, so far as it is a material thing, a use-value, something useful. This property of a commodity is independent of the amount of labor required to appropriate its useful qualities. When treating of use-value, we always assume to be dealing with definite quantities, such as dozens of watches, yards of linen, or tons of iron. The use-values of commodities furnish the material for a special study, that of the commercial knowledge of commodities. Use-values become a reality only by use or consumption: they also constitute the substance of all wealth whatever may be the social form of {that wealth. In the form of} society we are about to consider, they are, in addition, the material depositories of exchange value.”

There are three more facts to be established in order

fully to grasp the architectural nature of this third buttress of Prof. Skelton's:

1. Prof. Skelton's foot-notes refer to the Humboldt edition of *Capital*. The Professor refers to "pp. 2-7" in substantiation of his allegation that, after Marx had explained his theory of exchange-value, he then "brings in by a side door the factor of utility previously disregarded." Page 2 in the Humboldt edition begins AFTER the first and second paragraphs quoted above from *Capital*, that is, AFTER the first, second and third paragraphs with which the work begins. In other words, the foot-note, excludes two, and that the first two paragraphs, with which Marx elaborates the point that, "in the first place," a commodity is a use-value.

2. Marx takes up exchange value in the eight paragraphs that immediately follow his elucidation of use-value.

3. The sentence quoted by Prof. Skelton in evidence that Marx "brings in by a side door the factor of utility previously disregarded," to wit, "Nothing can have value without being an object of utility," etc.,—that sentence is the last one in the series of paragraphs in which, having first considered utility, or use-value, and having thereupon considered exchange value, Marx then makes the synthesis of the two lines of reasoning.

Accordingly—

1. So far from having "previously disregarded" the factor of utility, Marx gave that factor first place;

2. So far from bringing in "by a side door" the factor of utility, Marx brings it in the frontest of front doors; and

3. So far from having first considered exchange value, the first time the term appears in *Capital* is as the closing words of the last of the four first paragraphs of *Capital*, that is, the last of the three paragraphs with which *Capital* virtually opens, and in which the utility factor of commodities was considered.

It may be asked, Are these facts of any, or of importance enough to make a point of them? As a preliminary answer we would meet the question with another, to wit, "If of no importance why did Prof. Skelton

falsify the facts?” The next article, removing the next buttress, will, together with the ruins of the other buttresses, reveal the necessity of the falsification in Prof. Skelton’s architectural scheme to “refute” Marx.

Daily People, Vol. XII, No. 307. Thursday, May 2, 1912

Skelton on Marx's Law of Value—IV.

The fourth buttress that Prof. Skelton raised in order to steady his “refutation” of the Marxian law of value, and that we are iconoclastic enough now to pull down is couched in these three jaunty sentences:

“The theory that labor is the source of value finds few defendants to-day. In the face of the overwhelming criticism which has been directed against it, even good Marxists are being forced to abandon it or explain {it} away. It is not an explanation of the facts of the existing industrial system, Engels declares, but holds good as an analysis of value in the more primitive industrial organization of the pre-capitalist era,” etc., and there is a reference to a foot note that refers one, in corroboration, presumably, to an article by Engels in *Die Neue Zeit* of 1895.⁷

Although, by this time, having considerable experience regarding the degree of reliance one can attach to Prof. Skelton's statements and citations, one will hunt up Engels's 1895 article. But it takes some time to go through the files of the *Neue Zeit*, seventeen years back. While taking the trip one is apt to reason:

“Suppose Engels does say something to the effect that the exchange of commodities at their value is not a feature of capitalist society; not an unlikely thing for Engels to say; and if he does, he will have said no more than Marx's ‘Capital’ is a long thesis on, step by step demonstrating that the practice in capitalist society confuses and conceals fundamental facts very much in the manner that the performances of a skilled Japanese juggler seem to set the laws of gravitation at naught. But that Engels should in that article have abandoned or explained away the theory that labor is the source of value—hardly.” By the time one has got so far, the 1895 Engels article has been

⁷ “Ergänzung und Nachtrag zum dritten Buch des *Kapital*”; cf. Marx, *Capital*, iii, pp. 207–208. (Skelton, pg. 122.) See *Karl Marx Frederick Engels Collected Works*, vol. 27, pp. 873–894. —R.B.

reached. The hunt was worth the trouble. The worst that was expected regarding the utter unreliability of Prof. Skelton is verified:—

1st. The passage quoted by Prof. Skelton as an evidence that even so good a Marxist as Engels has abandoned the theory that labor is the source of value, or explains away the theory, is not Engels at all, but is a passage that Engels quotes, and quotes in quotation marks, from a rough, unfinished sketch left by Marx himself on the history of exchange, and the spirit of which, as stated above, repeatedly appears and reappears in Marx's *Capital* itself indicative, of the "salto mortale" that, as Marx expresses it, capitalism performs at every turn, or indicative, as he puts it elsewhere, of the optic illusions that money raises before the eyes of Vulgar Economy. If Prof. Skelton thought he could make out of that passage an abandonment of the theory that labor is the source of value, there was no need of his loading the passage upon Engels. He could have charged Marx himself, the author of the passage, with the abandonment. Venturesome, even reckless tho' Prof. Skelton is in his charges, he was not quite venturesome and reckless enough to do that.

2nd. The Engels article of 1895 in the *Neue Zeit* to which Prof. Skelton refers specifically and generally in support of his allegation that even so good a Marxist as Engels abandons the theory that labor is the source of wealth, and explains away the theory,—that article expressly does the exact opposite.

In the course of his elaboration of Marx's short and unfinished sketch regarding the history of exchange, Engels reviews original production, as found even at the beginning of the XIXth Century on the continent where exploitation had not yet become the dominant factor in production, and exchange was still within the community. Following the course of history, he sketches production and exchange as it reached the gold and money stage, as it passed through the stage of exchange between the urban and the rural population, as it reached the Hansa period of commercialism, and as it finally swung itself up with

the discovery of America. At the start Engels emphasizes the obvious prominence of the fact that labor is the source of value; step by step he elucidates the manner in which the more and more complicated system of exchange and production itself concealed the once obvious fact of labor being the source and measure of value, until, the intervals between which value and price coincided being more and more prolonged, the fact of labor being the source and measure of value was lost sight of by all superficial observers, and was left for scientific political economy to re-establish. The point is clinched in this passage: “From the moment money obtrudes itself into this economic system, the tendency of adjustment to the law of value, according to the Marxian formula, *nota bene!*,⁸ becomes, on the one hand, more marked, on the other hand, however, it is broken through by the inroads of the usurer’s capital and of fiscal extortions; and the periods when, on an average, prices approximate values to within a negligible point, are put further off.”⁹

And the man who writes this, and the article in which this appears, are expressly referred to in proof that “in the face of the overwhelming criticism which has been directed against” the theory that labor is the source of value, the theory has been abandoned or explained away “even by good Marxists.”—And there goes buttress number 4.

Daily People, Vol. XII, No. 323. Saturday, May 18, 1912

⁸ Note Well.—*R.B.*

⁹ See *Marx-Engels Collected Works*, Vol. 37, p. 885. De Leon made his own translation.—*R.B.*

Skelton on Marx's Law of Value—V.

The buttresses hitherto considered, whereby Prof. Skelton endeavors to shore up his labyrinthian refutation of the Marxian law of value, have concerned facts only. All that was necessary to cause the previously considered buttresses to crumble was to blow the breath of Fact against the Professor's hollow bricks of Fiction. This fourth {fifth} buttress, however, is worked somewhat into the masonry of the labyrinth itself. It concerns Facts and Reasoning.

Quoting Boehm-Bawerk who says of Marx that "He acts as one who, urgently desiring to bring a white ball out of the urn, takes care to secure this result by putting in white balls only,"¹⁰ Prof. Skelton proceeds at once to explain Boehm-Bawerk's criticism and to wipe out Marx, observing that Marx "limits his inquiry to the value of 'commodities,' and adopts, without explicit warning, a definition of commodities which includes only products of labor, and excludes 'virgin soil, natural meadows, etc.'" (p. 117–118.)¹¹

The fix Prof. Skelton, together with his Boehm-Bawerk mopsey {mopsy}, is in is that of the dapper barrister, whose knowledge of law is acquired "on the wing," and who finds his "impressions" and, along with them, his case, ruled out of court as if by magic by the simple quoting of some elemental principle of jurisprudence.

Guided by the star of that robustious Ignorance regarding which Ruskin wittily observes "it is noticeable that it always tells on their own side," vulgar, or bourgeois political economists lump with commodities things that are commodities not at all. The process is instinctively aidful in concealing the source of value, hence in justifying the plunder of the wage slave class. When the dapper

¹⁰ *Karl Marx and the Close of His System*, p. 124. (Skelton's footnote, pg. 118.)—R.B.

¹¹ *Capital*, i, p. 5. (Skelton's footnote, pg. 118.)—R.B.

barrister for the bourgeois presents his shallow plea at the bar of the Science of Political Economy, it falls with the mere reading of “the statute and the law.” This Marx did.

The preceding article of this series outlined the Marxian presentation of the history of production, until production reached the commodity stage. That the fruit of labor was not always a “commodity” Marx shows is a closed book to Vulgar Economy. He elaborates the proof from both the economic and the sociologic viewpoint. A few passages from *Capital* will illustrate the reasoning, the facts upon which the reasoning is banked, and last, not least, the importance thereof:—

“Man’s reflections on the forms of social life, and consequently, also, his scientific analysis of these forms, take a course directly opposite to that of their actual historical development. He begins, *post festum*,¹² with the results of the process of development ready to hand before him. The characters that stamp products as commodities, and whose establishment is a necessary preliminary to the circulation of commodities, have already acquired the stability of natural, self-understood forms of social life, before man seeks to decipher, not their historical character, for in his eyes they are immutable, but their meaning.” (p. 47.)

“Every product of labor is, in all states of society, a use-value; but it is only at a definite historical epoch in a society’s development that such a product becomes a commodity, viz., at the epoch when the labor spent on the production of a useful article becomes expressed as one of the objective qualities of the article, i.e., its value. It therefore follows that the elementary value-form is also primitive form under which a product of labor appears historically as a commodity, and that the gradual transformation of such products into commodities, proceeds *pari passu*¹³ with the development of the value form.” (p. 31.)

“A commodity is therefore a mysterious thing, simply

¹² After the feast.—A.P.

¹³ At equal step or rate.—A.P.

because in it the social character of men's labor appears to them as an objective character stamped upon the product of that labor; because the relation of the producers to the sum total of their own labor is presented to them as a social relation, existing not between themselves, but between the products of their labor. This is the reason why the products of labor become commodities, social things whose qualities are at the same time perceptible and imperceptible to the senses." (p. 43.)

One more passage to tie the knot to the string:

"The whole mystery of commodities, all the magic and necromancy that surrounds the products of labor so long as they take the form of commodities, vanishes, therefore, so soon as we come to other forms of production." (p. 47.)

Prof. Skelton's assertion that Marx adopts, "without explicit warning," a definition of commodities which includes only products of labor, is, accordingly, without foundation in fact, like so many other of our Queen's University Professor's allegations have been found to be. The passages just quoted from *Capital* are merely a few of the leading links in a long argument which begins with page 25 and closes with page 55 of *Capital*, in the course of which, with his characteristic thoroughness and conscientiousness, Marx not only "gives warning," but makes the warning good. Commodities are shown to be impossible in any other, and to represent a certain historic stage in production—the social stage when co-operative labor has set in; the social stage when the producers are eliminated from and the products arise in social relation to one another; the social stage when the product becomes a "social thing"; the social stage when products circulate as "commodities" as a consequence of a new and previously established form of life; in short, the social stage that necessarily excludes from the category of "commodities" all such things as "virgin soil," "natural meadows," the "honor of women," the "conscience of magistrates," these not being the product of social labor, but mist which the Boehm-Bawerks and Skeltons require in order to cover up the tracks of their reasoning—mist which scientific economics dispel.

In Homeric mythology it was the giant-beautiful deities of Olympus whom mists were made to conceal from profane eyes. In Bourgeois mythology the mists are used to conceal the bourgeois' hand in Labor's pockets—a necessary bit of necromancy, we have called it in this series a buttress, to give color to the myth that, not Labor, but Idleness is the source of value.

Daily People, Vol. XII, No. 328. Thursday, May 23, 1912

Skelton on Marx's Law of Value—VI.

There remains one more buttress to demolish of the several with which Prof. Skelton sought to protect his overthrow of the Marxian law of value. This particular buttress is only a fraction of a buttress. It was severely shaken when the second buttress was torn down. Portions of it then fell to the ground, and were swept away along with the debris of the second. It is this:

In the tortuous course—how tortuous has been laid bare in the previous articles of this series—to make out that Marx himself made no distinction between “value” and “price,” but identified the two terms, Prof. Skelton asserts that “it is difficult to read any other meaning into such declarations as that . . . price is ‘merely the money name of the quantity of social value in his commodity.’” (Page 124.)

From what chapter in *Capital* is this passage taken? It is taken from the chapter in which Marx sketches the economic and sociologic history of Money.

Originally, utilities are bartered. The measure of exchange was demonstrated to be the socially necessary labor crystallized in them. From the start of the demonstration, and with increasing frequency, as the economic historic narrative proceeded, the fact was recognized that perturbing elements set in which perturb the assertion of the law of exchange in all its purity. The perturbing elements were eliminated to facilitate the treatment of the law in its normal operation. Thus the instances in which utilities are exchanged at a “price” below or above their “value” were eliminated; the utilities were supposed to be exchanged normally, that is, at their “value.”

At that, the barter stage, it was shown that each commodity expressed its value in a variety of other utilities, indeed, in as many other utilities as were offered for exchange. In the measure that social development stamped utilities with the social stamp of “commodities” the clumsiness and increasing impracticability of each

commodity's expressing its value in such a variety of others asserted itself. The ultimate consequence was the differentiation of one commodity, gold, as that one commodity into which all others were to express their value. A further and later consequence was the birth of "Money"—fractions of gold stamped as representing given quantities of gold.

Arrived at this stage of social development, Money acquired certain attributes. While the gold, that a coin consisted of, never did, nor could, lose its commodity qualities, the coin that the gold was stamped into acquired attributes of its own. The gold in the coin being the intermediary link between the commodity that it was sold for, and the commodity that it was, in turn, to buy, sale and purchase was bound to take place according to the measure of value in all the three commodities—the commodity sold, the commodity bought, and the gold in the coin. Thus in the strictness of the economic transaction, always supposing it to be normal, the value of the commodity that was sold and the value of the commodity that was purchased receive a money name. That money name the market has called "price." Thus "price" becomes, as Marx expresses it, "merely the money name of the quantity of social value" that commodities contain.

When Marx reaches in his demonstration the point of drawing that conclusion the door is double bolted against the Skeltonian allegation that "price" and "value" are identical in Marxian terminology. The door is double bolted against that allegation as firmly as the door is found double bolted against the allegation that, in Marxian terminology, "price" and "value" are identical, on the ground that Marx assumes exchange to be conducted normally, that is, free from the perturbing circumstances under which "price" and "value" do not coincide.

On the same page on which Prof. Skelton makes the unwarranted assertion here considered, and as introductory thereto, he speaks of the "assumption of their ['price' and 'value'] identity" by Marx. The statement is true—and it is false.

The geometrician who traces a line on a sheet of paper to demonstrate that the straight line is the shortest possible between two given points, does “assume” that the line he drew is “straight” altho’, he not being a draftsman, probably drew a line that was very far from being “straight.” To build upon the “assumption” an argument that the geometrician actually held a wabby line to be identical with a straight line would be manifestly a sharper’s shell-game.

It is true that Marx “assumes ‘price’ and ‘value’ to be identical” in the course of an argument that expressly excludes the perturbed conditions under which what a commodity exchanges for either falls below or rises above its value, when, in other words, “price” and “value” do not coincide. However, to build upon the fact of this assumption, and the correlated utterance that price is merely the money name of a commodity’s value,—to build upon this fact an argument to the effect that Marx considers “price” and “value” to be de facto identical,—to plant upon that fact the conclusion that “it is difficult to read any other meaning” into Marx’s declarations—to do that is (well, it is difficult to preserve parliamentary decorum when handling such arguments; but we shall perform the feat)—to do what Prof. Skelton has been exhibited in this article and the previous articles of this series as doing—such performances are—well—un-scientific.

Daily People, Vol. XII, No. 337. Saturday, June 1, 1912

Skelton on Marx's Law of Value—VII.

Seven {six} of the buttresses, with which Prof. Skelton sought to protect the labyrinthian structure of his demolition of Marx's law of value, having themselves been demolished and the field cleared of the debris, we may now consider the "demolishment" itself.

One starts in, and what does he find? He finds that the labyrinthian argument is a structure builded on the architectural plan of the onion. You peel layer after layer of the onion, expecting to get at its substance; the more you peel off all the less there is left of it; until, finally, with the last layers gone, you find there is no substance to it; the onion is all layers, labyrinthianly involuted. Similarly is the experience in store for him who would get at the substance of the demolition of the Marxian law of value by O.D. Skelton, Ph.D., Sir John A. Macdonald Professor of Political Science, Queen's University, Kingston, Canada. The Professor's "demolition" is made up of buttresses to the demolition. You hammer down buttress after buttress, in the hope to reach the arcanum; and when the buttresses, or enough of them to make a clearing have been removed, you face—a vacuum.

The Marxian law of value, condensed by us in a few lines in the first article of this series as the objective of Prof. Skelton's demolitionary raid is, now more fully presented, thus:

Commodities are utilities produced for exchange and, to that end, brought to the world's market. The exchange is carried on obedient to that which all commodities have in common—the quality of being depositories of socially necessary labor-power. The quantity of socially necessary labor-power embodied in commodities determines their value. In exchange it is value that is given for value. The complicated mechanism of capitalist production conceals the fact. So many are the perturbing streams in the market that exchange rarely is value for value. The ravages of competition, the supply-disturbing anarching

{anarchistic} policies of production, now send prices above, now depress prices below the standard of value. Despite the seeming chaos there is order. The law of value, acting like the centripetal force in nature, counteracts, if it does not at long intervals cure, the centrifugal forces in the capitalist market.

The law of value is no idle abstraction, leading Nowhere. From the law flow, and constitute integral parts of it, a number of corollaries economic and social. The leading ones are:

1. Concentration of productive powers increases the volume of wealth, lowers the value of goods, and clears the field of petty and competitive elements;

2. Under capitalism, labor-power being a commodity like all others, must decline in value;

3. Concentration of productive powers is an irresistible economic force;

4. The irresistible force congests wealth in the hands of the few and pauperizes the masses;

5. Labor alone produces all wealth; the wealth in the hands of the Capitalist Class is plunder.

In the cards of the law of value is, accordingly, Revolution—the adjustment of society to the unbearably changed conditions. The plumb line of the readjusted social structure is the economic interests of the Working Class. Another expression for the Socialist or Industrial Republic.

Hence the fierceness of the capitalist onslaught upon the Marxian Law of Value.

Mere denial could not stand. Capitalism instinctively realized that. Denial had to be made with an argument that substituted some other theory for the Marxian. The substitutes only confirmed that which they were intended to substitute. They confirmed the original. By the aid of their transparent, often ridiculous pretenses, they only helped to emphasize the Law of Wages.

Thus it happened that the endeavor to overthrow fact with the fiction that what the Capitalist Class “takes and holds” is its “Wages of Abstinence,” only helped to draw public attention to the notorious non-abstinence of a

notoriously squandering Class; the endeavor to overthrow fact with the fiction that what the Capitalist Class sponges up is its “Wages of Superintendence,” only helped to point the finger more pointedly at the idleness of a notoriously idle Class, idle in production; the endeavor to overthrow fact with the fiction that what the Capitalist Class raked in was its Insurance for Risk run, only helped to uncover more completely the fact that the only Class that runs no risks and takes none is that very Capitalist Class; the endeavor to overthrow fact with the Mallockian fiction that the wealth of the Capitalist Class is the increment of its Ability, only helped to expose more glaringly the amazing inability of capitalists—inability in production, however phenomenal their ability in grabbing. Of such consists the pre-Skeltonian series of “demolitions of Marx.”

Prof. O.D. Skelton, Etc., Etc., more of a sly-boots than his predecessors, avoided their pickle—unless his “Ney-and-Sheridan” rhetorical effort, previously considered be his contribution to the string of substitutes. He, more of a sly-boots than his predecessors, raised a Vacuum, buttressed with an extensive involution of buttresses.

Daily People, Vol. XII, No. 344. Saturday, June 8, 1912

Skelton on “Marx’s Contradiction”— Act I.

One had almost forgotten that once upon a time there was quite a little stir about Marx having contradicted himself, until Prof. O.D. Skelton, Ph.D., Sir John Macdonald Professor of Political Science, Queen’s University, Kingston, Canada, recalled the silly dead and past. The late lamented Archbishop Corrigan¹⁴ of this city went so far as to announce from the pulpit at St. Patrick’s as his own swan’s song, that “Marx recanted on his deathbed.” An Italian pundit, Loria by name, and others in Germany, put it more mildly and less ecclesiastically. The burden of the song was, in all instances, to the effect that Marx had repudiated his own law of value. Engels treated the whole crew with deserved contempt. The incident seemed forgotten, when Prof. Skelton revamped it; dished it up anew in his prize-book *Socialism, A Critical Analysis*; and, in justice to justice be it said, presented the “Contradiction” in form and style more precise and concise than it was ever presented before. Indeed, and unfortunately for Prof. Skelton, this part of his “Analysis” is the only one in which the reasoning is not too shadowy to grapple. Hence, it is as easy to be overthrown as the series of false allegations of fact that have been so far mainly considered in the previous series.

The “Contradiction” is presented on pages 131–132 of the “Analysis.” It is presented dramatically, in three acts.

¹⁴ Michael Augustine Corrigan (1839–1902), Roman Catholic Archbishop of New York from 1885.—*R.B.*

In the first act Marx is represented as pointing, “in the first volume of *Capital*,” to a patent contradiction in his theory, and promising to give the solution in the forthcoming next volume.

In the second act Engels is represented as challenging—in his preface to the “second volume of *Capital*,” issued by him two years after the death of Marx—all the powers that are in the heaven above, or that are in the earth beneath, or that are in the waters under the earth, to solve the riddle that Marx’s “Contradiction” presented, and the solution of which Marx had promised, Engels himself now promising to give a solution in the next, or “third volume of *Capital*.”

The catastrophe occurs in the third act. Marx and Engels flunk egregiously, ignominiously.

We shall analyze the three acts in three separate articles.

After correctly summing up (p. 126) the Marxian law regarding constant and variable capital; regarding the different functions of each; and regarding the difference between the “rate of surplus value” and the “rate of profit,” Prof. Skelton proceeds (p. 131):

“The doctrine of surplus value as laid down in the first volume [Marx’s *Capital*] asserts that surplus value accrues only on the variable capital, the wage investment. It would follow, then, that the rate of profit in different industries would vary with the proportion of laborers employed. But it is patent that this is not the case: ‘every one knows that a cotton spinner who, reckoning the percentage on the whole of his applied capital, employs much constant and little variable capital, does not on account of this pocket less profit or surplus value than the baker, who relatively sets in motion much variable and little constant capital.’ *Capital* I., p. 181. The same difficulty proved a stumbling-block in Rodbertus’ labor theory of value. Marx promised its solution in the forthcoming third volume.”

So sayeth Prof. Skelton about Marx. Now let us hear what Marx did say:

“This law [that the masses of value and of surplus-

value, produced by different total capitals, vary directly as the amounts of the variable constituents of these capitals] clearly contradicts all experience based on appearance. Every one knows that a cotton spinner, who, reckoning the percentage on the whole of his applied capital, employs much constant and little variable capital, does not, on account of this, pocket less profit or surplus-value than a baker, who relatively sets in motion much variable and little constant capital. For the solution of this apparent contradiction, many intermediate terms are as yet wanted, as from the standpoint of elementary algebra many intermediate terms are wanted to understand that 0/0 may represent an actual magnitude. Classical economy, although not formulating the law, holds instinctively to it, because it is a necessary consequence of the general law of value. It tries to rescue the law from collision with contradictory phenomena by a violent abstraction. It will be seen later [Footnote—“Further particulars will be given in Book IV”] how the school of Ricardo has come to grief over this stumbling block. Vulgar economy which, indeed, has really learned nothing, here as everywhere sticks to appearances in opposition to the law which regulates and explains them. In opposition to Spinoza, it believes that ‘ignorance is a sufficient reason.’” (p. 293–4.)

Accordingly, it leaps to the sight of the attentive reader that it is not true that Marx promised the solution of the contradiction which he characterizes as flowing from “experience based on appearances.” What Marx did promise for a later volume was, not a solution of the seeming contradiction, but an exhibition of “how the school of Ricardo has come to grief over this stumbling-block.”

By reading on, beyond the paragraph just quoted from Marx, it becomes furthermore clear that Marx had no occasion to promise the solution of the seeming contradiction for a later volume. The rest of the chapter in which the paragraph occurs, together with the 268 immediate following pages, in fact, the rest of *Capital*, supplies the “intermediate terms,” as yet wanted to solve the mystery of the seeming contradiction—the extension of

relative surplus value; the secret keeping of improvements, so long as the manufacturer could keep an improvement secret from competitors; the devices of competition; finally, and above all, co-operation, or the extra yield of co-operative labor, especially on a large scale.

The subject, a broad one, being of deep interest, but requiring close reading, will be here treated succinctly.

For the proper understanding of the source of surplus-value, capital is divided into two categories:

One category consists of the moneys expended on the plant and the raw material, generally. These items are transformed in the course of production, but they part with no greater value than they have. If the plant of manufacturer A is worn in the course of production to the extent of say, \$100, and the raw material has cost, say, \$1,000, then, that \$1,100, and no more from that source, will re-appear in the new product.—That category of the capital is called “constant capital.”

The other category consists of the moneys expended on wages. Wages purchase labor-power, normally at its exchange value. The item of labor-power also is transformed in the course of production; it also goes into the new product. But it parts with a larger volume of value than its own. If, say, \$200 is the amount paid for labor-power by manufacturer A, then there will re-appear in the new product, that \$200, plus, say, \$200 more, the additional value, which to yield over and above its actual value is the use-value of labor power, and on account of which it is bought by the capitalist.—This category of the capital is called “variable capital.”

From this subdivision it follows that—

whatever volume of surplus-value the capitalist obtains must flow from the variable capital;

the *volume* of surplus-value, that is, the maximum of surplus-value that can be pocketed by the capitalist depends upon the amount of variable capital expended, another way of saying upon the number of hands exploited: if 1 man is employed and his wages are \$2, and he yields \$2 over and above the wages, the volume of surplus-value

will be \$2: if 50 men are employed, the volume of surplus-value will be \$100;

profit is that portion of surplus-value that the capitalist ultimately pockets: the profit may equal the total surplus-value that the capitalist squeezed out of his wage slaves, and it may be less: if the profit is less, that happens because the profit is reduced by expenditures dictated to the trade, such as, for instance, the bribing of public officials, the necessity to undersell competitors, etc., etc.; all profit comes from surplus-value, but not all surplus-value goes to profits;

the *rate* of surplus-value depends upon the ratio between the variable capital and the surplus value yielded by the same: if the variable capital is \$200 and the surplus-value \$200, then the rate is 100 per cent.;

the *rate* of profit depends upon the ratio between the variable capital plus the constant capital, that is the ratio between the total capital, and the surplus-value. In the illustration of manufacturer A, the rate of profit is determined by the ratio between the \$1,100 constant plus the \$200 variable capital, that is, the ratio between \$1,300 total capital and the \$200 surplus-value: the rate is slightly over 15 per cent.

Such is the general law.

At first blush, having in mind that “profits” are “surplus-value,” two errors are easily slipped into, to wit, first the error of believing that the volume of “profit” pocketed must be equal to the volume of “surplus-value” squeezed out of labor; and, second, the error of mistaking “profits” with “rate of profit”; whence—seeing that the rate of profit made by the cotton spinner who operates, say, a \$500,000 constant capital and the relatively small variable capital of, say, \$1,000, yielding him \$1,000, is below 0.2 per cent.—the conclusion would be that the baker, who operates a constant capital of, say, \$200, but a relatively large variable capital of, say, \$10, yielding him profits at the rate of more than 4 per cent., is pocketing larger profits than the spinner. Is not the variable capital which the spinner operates insignificant and that operated by the baker large, when compared with the

constant capital that each operates? Hence, the baker, according to the law, should rake in more profits than the spinner. Is not 4 per cent. more than 0.2?

This, however, does not happen. It is the opposite that happens.

Is, then, the law false?

Classic economy, Ricardo leading, having scientifically established beyond cavil that labor was the source of value, felt imperatively ordered to hold to the law: It instinctively realized that the contradiction could be in appearance only; and it felt as imperatively driven to explain the, to them, puzzling mystery. Lacking what Marx denominates the “intermediate terms,” the capers cut by the Ricardians in the effort, as Marx expresses it, “to rescue the law from collision with contradictory phenomena,” were numerous, at times even droll—so droll that Marx promised their treatment in a later volume.

What the “intermediate terms” are has been mentioned above. In what way do they solve the mystery?

It will not have escaped the careful reader that a big chunk of the “mystery” lies, not in the operation of the law, but in the operation of the slipshod minds who absolutely identify “profit” with “surplus-value,” and who, furthermore, confuse “profit” with the “rate of profit”—MASS of profit with PERCENTAGE. Nor will it have escaped the careful reader that Prof. Skelton incurred the identical guilt, only in aggravated form. Others gave no indication of having at all grasped the Marxian law. Prof. Skelton did. As was seen, Prof. Skelton correctly states the Marxian law by his summary: “Constant capital, that part of capital invested in plant and material, merely reproduces its own value in the process of manufacture. Variable capital, on the contrary, the portion invested in labor-power, reproduces its own value and the whole of the surplus appropriated by the capitalist. The rate of surplus-value is determined by proportion between surplus value and variable capital, the rate of profit by the proportion between surplus value and the total capital” (pp. 126–127); and again: “The doctrine of surplus value, as laid down in the first volume, asserts that surplus

value accrues only on the variable capital, the wage investment” (p. 131). This notwithstanding, less than 5 pages later than the first citation and immediately after the second, driven by the stage demands of this first act in his melodrama of “Marx’s Contradiction,” the Professor, now become playwright, conveniently forgets all about what he had said just before, and proceeds: “It would follow, then, that the rate of profit in different industries would vary with the proportion of laborers employed”!!!—In such hocus-pocus no mystery lurks,—not to the wide awake.

There is, however, more involved than the looseness of slipshodded thinking or the artifices of a juggler with words. There is that involved which “intermediate terms” are needed to solve.

In order to obtain the identical mass of surplus-value, or profit, which he obtained before, the manufacturer needs an ever huger volume of constant capital. It goes without saying that under economic laws which decree the increase of a necessary factor, a factor, at that, which is barren of surplus-value, in order for the manufacturer to hold his own in the competitive field,—it goes without saying that under such economic laws, the “rate of profit” is bound to decline. When the workings of the economic law are furthermore ascertained to render dependent upon a steadily increasing monumental constant capital the number of wage-earners that can be drawn into the vortex of exploitation, hence, the mass of surplus-value to be squeezed out of the variable capital; and, furthermore, that, in the course of the process the mass of surplus-value steadily shrivels in contrast with the increasing mass of the interest on the constant capital;—when all this is considered{,} then the mind’s optical illusion concerning the general law’s leading to a lower mass of profit for the spinner than for our baker becomes obvious. For instance:

The spinner who, for instance, requires a \$10,000,000 constant capital to resist being driven from the field of competition; who pays an interest of 5 per cent. on that capital; and who exploits 10,000 wage slaves, from whom he extracts \$20,000 surplus-value;—that spinner would be

paying out \$50,000 in interest, or \$30,000 more than his surplus-value. It matters not whether the spinner himself owns the constant capital, or borrows it. If he owns it, he forfeits the \$50,000 interest, which, in this calculation, amounts to the same as having to pay the interest to others. The spinner, despite the fact of his operating a vastly larger variable capital than the baker in our illustration, will be pocketing less profit than the baker. He would be actually losing. This is, in fact, the contradiction—yet, a contradiction that flows only from “experience based on appearance.”

It will suffice to consider one of the intermediate terms out of the several that Marx proceeds to furnish immediately after having stated the seeming contradiction.

The conclusion would be that the capitalist who employs 1 wage earner, from whom he extracts \$2 surplus-value, would extract no more than \$20,000 from 10,000 wage slaves. The reasoning is correct in arithmetic; it is incorrect in economics. The moment many wage slaves cooperate in an industry, the mass of surplus-value that they yield is not merely the sum of the surplus-value yielded by each. The surplus-value that they yield is equal to the sum of the surplus-values yielded by each individually, plus an additional amount which is the specific yield of co-operative Labor. Say, \$2 is the surplus-value yielded by 1 wage earner, \$10 would be the surplus-value yielded by 5; \$100 the surplus-value yielded by 50, and so on in a sort of arithmetic progression. But over and above the sum of these individual yieldings, there is a mass of surplus-value that increases in a sort of geometric ratio. The larger the number of co-operating wage slaves, all the larger, and in somewhat geometric ratio, grows the mass of the co-operative yield. If 5,000 wage earners yield a co-operative surplus of, say, \$20,000, then 10,000 wage earners will yield a co-operative surplus of \$80,000, and so on. Seeing that the larger the constant capital, all the larger is the number of exploitable wage-slaves in a plant, it follows that while the profits would sink according to the general law, yet the soundness of the law is,

nevertheless, sustained,—and sustained by the law of value itself. The added surplus-value, that flows from the co-operative labor of the wage-earners, counteracts and overcomes the effect of the increasing necessity for larger constant capital. Instead of losing, our spinner would pocket \$50,000 profit, or surplus-value—and distance our baker out of sight. Other “intermediate terms” fortify the process in still other manners.

So far from there being any contradiction in the general law formulated by Marx, the seeming “contradiction” that he calls attention to furnishes him with the occasion to “rub in,” so to speak, the conclusions that the law points to.

Inferentially, the general law pointed to the working class as the source of the wealth in the pockets of the capitalist, and it even formulated the formula to determine the magnitude of the plunder. The “intermediate terms,” necessary to pick the lock of the “contradiction,” do more than pick that lock. They throw light into corners of exploitation, some of which the capitalist was, perhaps, not himself conscious of, tho’ delighting in the benefits that flowed from them, and probably looked to heaven in grateful recognition of the blessing. The “contradiction,” accordingly, leads to an analysis that uncovers a nest of capitalist secrets—secrets all of which, besides reinforcing the general law, exhibit still larger areas of exploitation which the capitalist is anxious to keep dark.

And this is the “contradiction” that Archbishop Corrigan builded his ecclesiastically colored myth upon; the “contradiction” that at one time threw the capitalist pundits into a fever of excitement; finally, the “contradiction” that Prof. Skelton staged as his melodrama’s first act—the act upon which the curtain now drops.

Daily People, Vol. XII, No. 349. Thursday, June 13, 1912

Skelton on “Marx’s Contradiction”— Act II.

The curtain rises on Act II of Prof. Skelton’s melodrama “Marx’s Contradiction” with Frederick Engels occupying the center of, if not the whole stage—and keeping it to the end.

As was stated in the summary of the three acts, Engels is represented challenging everybody, in sight and out of sight, to solve the contradiction that Marx promised to solve in a subsequent volume of *Capital*, a promise which he did not live to carry out. The challenge Prof. Skelton says is made in the second volume of *Capital*, a work that “appeared under Engels’ editorship in 1885, two years after Marx’s death.”

Before proceeding with the consideration of this second act, it is well to place on record that in no legitimate sense is there such a thing as a IInd and IIIrd volumes of *Capital*, meaning, of course, Marx’s *Capital* as the volumes purport to be. Several times, in the previous article of this second series, and also in the course of the first series, “Skelton on Marx’s Law of Value,” these IInd and IIIrd volumes have been referred to. The references were made mainly in citing Prof. Skelton, without further explanation. An explanation would then have been an unnecessary interruption. A short digression will not now break the “thread of the plot.”

Without derogating in the slightest from the eminent services rendered by Engels to the cause of Socialism, or from his ability—on the contrary, with all the veneration that is due to Engels as a founder of scientific Socialism, the two volumes he issued after Marx’s death are not Marx’s.

A man’s works, especially in the instance of a man of Marx’s caliber, consist only of what he issued in his life, or left ready for publication after his life. The IInd and IIIrd volumes were not published in Marx’s life; more than that, Marx did not leave them ready for publication; worse yet,

they consist to a great extent, if not mainly, of rough drafts, of memoranda, sometimes notes, that Engels himself stated in all frankness he had difficulty in deciphering. Of much of the material of these volumes Engels speaks as matter “hurriedly jotted down and partly incomplete in their first treatment” [*Neue Zeit*, 1895, No. 1], and specifically he more than once warns, with regard to some literally reproduced passages, that they are rough sketches which Marx “would undoubtedly have elaborated” had he lived to carry out his design to publish additional volumes to the volume which he did give out.

Not even a man of Engels’ intellectual inches, not even when such a man was in full accord with and the close associate of another, as Engels was with and of Marx, can his version and rendition of that other’s hurriedly jotted-down notes and incomplete sketches be considered the work of that other;—when that other is a man of Marx’s exceptional mental acquirements and powers least of all.

The two volumes issued by Engels are essentially a monument raised to a dear friendship, a pious tribute to the shades of one of the world’s giants. In the British Museum a torn shirt of Shakespeare is preserved with veneration; in the same Museum rough first sketches of Raffael, which the illustrious painter would have burned up, are likewise exhibited with reverence. These are not manifestations of human weakness. On the contrary. Only the healthy and vigorous are grateful. Man can not be too grateful towards those who have helped to uplift his kind. To the grateful, whatever the great have touched insensibly acquires a certain sanctity. As all vice is a virtue carried to excess, the virtue of gratefulness may degenerate into paganism. There is no paganism in the reverence that Engels entertained for Marx’s jottings. For that very reason, no mention herein made by us of “volumes II and III of ‘Capital’” is to be construed as a committal to the proposition that we consider the volumes the work of Marx, or him responsible for them, or them the “IInd and IIIrd volumes of *Capital*.”

Now, to return to the plot—

The “contradiction” in the general law that Marx had called attention to, and which he attributed, with keen sarcasm, to “experience based upon appearances,”—that so-called contradiction, it will be remembered, turned simply upon the correct, or incorrect, application of the terms “profit” and “rate of profit,” besides the grasping of “intermediate terms.”

As was shown in the previous Act, “profit,” tho’ it can come from “surplus-value” only, is not, as surplus-value, inferable from the amount of variable capital. A number of sponges may absorb such a large portion of the surplus-value as—were it not for the “intermediate terms”—to raise the mental-optical illusion that “the baker” would have a larger mass of surplus-value than “the spinner”; hence, that the general law of surplus-value was false.

Finally, it will be remembered that Marx promised no solution of any such “contradiction” for a later volume; indeed could have promised none, seeing he proceeded instanter to elaborate the “solution.”

What, then, was there left for Prof. Skelton to stage in Act II of his melodrama?

Artistic skill in the framing of the melodrama there is not wanting. If Marx furnished no subject for Act II, the foundation for the act was laid by the Professor with admirable artifice.

It will be remembered that Prof. Skelton, after correctly stating the Marxian law on the “rate of profit,” and immediately after stating, with equal correctness the Marxian law regarding surplus-value, to wit, that the same “accrues only on variable capital,” proceeds, without a blush and with charming candorousness, to substitute a false economic proposition as the consequence, and deftly to shove the error into Marx’s shoes, to wit, the proposition that “it would follow then that the rate of profit in different industries would vary with the proportion of laborers employed.”

However deftly the trick was performed, no careful watcher of the Professor’s hands was taken in. The question of the “rate of profits” in different industries is a very different one from the question involved in the

“contradiction” which Marx pointed out, and himself cleared fully up in *Capital*—the Ist, the only volume of *Capital*. It is this wholly different subject that our Professor stages in his Act II; it is this wholly different subject that he, without warrant, represents Engels as referring to in the IInd volume,—referring to it as the “contradiction” touched upon by Marx.

Accordingly, when the curtain rises upon Act II, Engels is found filling a role wholly different from the only legitimate role that Prof. Skelton’s treatment of Act I justified expectation to find Engels in—a role, nevertheless, that, by insensible gradations, the Professor leads the unwary to expect as the originally and justly expected role, and which the {Professor’s citation from Engels} tends to confirm the unwary in believing.

Indeed, Engels challenges the whole pack of Rodbertians, degenerate Ricardians, to show, what had puzzled them, “in what way an equal average rate of profit can and must come about, not only without a violation of the law of value, but by means of it”; indeed, Engels promises to smooth in the next volume the *pons asinorum* (donkey’s bridge), off which the pretentious dullards had slipped, and with whom “to discuss the matter further” he flatly and justly announced his unwillingness.

—And down comes the curtain with a dull thud upon Act II.

* * *

The writer remembers to have seen a performance of Meyerbeer’s opera *The Huguenots*, on a stage, the front arch of which having an exceptionally wide sweep, one of the soldiers killed in the massacre incautiously died too far forward. When the curtain dropped upon the scene it left the soldier on the outside.

From the gloomy mood the audience was in, it was suddenly thrown into one of boisterous hilarity, as the clumsy soldier discovered his plight, wriggled back to life, and, finally, amid roars from the audience, picked himself up and scurried behind the curtain.

When the curtain drops upon Prof. Skelton’s Act II the Professor is left sprawling on the outside. We shall allow

him to pick himself up and run behind, because we shall need him for the next Act—and for the epilogue.

Daily People, Vol. XII, No. 353. Monday, June 17, 1912

Skelton on “Marx’s Contradiction”— Act III.

It often happens at theatrical performances that not a few people leave before the last act. The last act of a play usually is the solution of the tangled plot in the previous acts. People who go to plays only for the sake of the plot know what the “solution” is before the last act is unrolled; and they leave. We hope there will be none such at this play. Tho’ they may know, and surely should know, by this time, what Act III of Prof. Skelton’s melodrama is to be about, it will pay to wait to the end. There may be some unexpected scene.

Of course, Marx not having promised any “solution” of the contradiction, imagined by “experience based upon appearance,” which he pointed out in *Capital*, and having promised none for reasons already made clear, Act III will have nothing concerning the mass of surplus-value in different industries.

Of course, Engels having made in the so-called “II volume” no promise for the so-called “III volume” concerning the mass of surplus-value in different industries, the said so-called “III volume,” and, along with it this Act III, will be silent on the subject.

Finally, Engels—having challenged the Rodbertians to “show in what way an equal average rate of profit can and must come about, not only without a violation of the law of value, but by means of it,” and having promised to produce Marx’s simple answer in the material which Marx left unfinished and which was to constitute the next volume—keeps his word.

The drafts left by Marx indicate what Marx had, in a way, and *apropos* of another subject matter, amply elaborated in his pamphlet *Value, Price and Profit*. In the measure that profits are high in an industry, that is, in the measure that the mass of surplus-value, yielded by the variable capital in an industry, is preserved as profit,—in that measure other capital, less

advantageously employed, or lying idle, rushes to that industry. The attraction of competition necessarily lowers the rate of profits in that industry. The lowered rate of profit in that industry, in turn, sprouts wings in capitals therein employed to search for fields where, competition being less intense, the rate of interest is higher; and so forth, and so on. Thus, by no means because the law of value is untrue, on the contrary, ever pivoted upon that law, the rate of profit drops in the long run to an average level, regardless of the different variable capitals employed.

The challenge, that Engels issued to the Rodbertians in the so-called “IId volume of *Capital*,” was issued with the condescending contempt for his whipper-snapper critics that Columbus may be supposed to have entertained for the crew when he formulated the “problem” to set up an egg on its end. The parallel ends there. History tells us how the supercilious courtiers “caught on” when Columbus “solved” the “problem.” Forthwith all of them duplicated the trick. Engels, on the contrary, tells us [*Neue Zeit* 1895–96, No. 1] that “quite a few, who had prepared themselves for a perfect miracle, felt deceived: instead of the expected hocus-pocus, they saw a simple-rational, prosaic-sober answer before them.”¹⁵

This set Prof. Skelton joins—and he joins them by “speaking a piece” at the close of his drama in that part of his “Analysis.”

The piece that Prof. Skelton speaks we shall suppose to be spoken, not as the Professor expected, before an audience of lunk-heads and sausage-skins, anxious to be stuffed; we shall suppose the piece spoken before an audience of men and women, fairly well acquainted with Marx; not disposed to be stuffed; and, having reverence for Knowledge, utterly irreverent toward Ignorance, or Word Jugglery. Accordingly we shall suppose the piece spoken before an audience that butts in with questions and commentaries.

¹⁵ *Marx-Engels Collected Works*, Vol. 37, p. 876.—R.B.

The Professor's closing piece is:

"The third volume did not appear until 1894, twenty-seven years after the publication of the first, although the greater part of it had been drafted in the sixties. Great was the astonishment when the oracular solution [A voice: "Solution of what?" Another voice: "Marx promised no solution!"] turned out to be a virtual abandonment of the earlier value theory [Several voices: "Never!" "A positive confirmation of the value theory!"] in favor of an ordinary cost of production [Loud laughter. A voice: "This is your latest interpolation!" Another voice: "Cost of production, nothing!"] Profits, Marx now declared, are equalized by competition. [A voice: "You're again misquoting Marx!" Another voice: "Marx said 'rate of profit'!" A third voice: "Don't you know the difference between 'mass of profit' and 'rate of profit'?"] Originally the rates differed in accordance with the proportion of variable capital employed [A voice: "Why, Professor, you're going back on your own words! Do you forget that on page 126 of your 'Analysis' you correctly quoted Marx as stating that 'the rate of profit is determined by the proportion between surplus-value and the total capital,' not as you now claim 'in accordance with the proportion of variable capital employed?"] but through the working of competition capital is withdrawn from the sphere with low profit rates and thrown into the industry with the higher rates, so that rates are reduced to an average throughout the whole field of industry{.} [A voice: "Why, man, you are a professor and you don't know the difference between 'surplus-value' and 'profits'!" Another voice: "Don't you know that the profits may be next to nothing, and yet the surplus-value that the same capitalist extracted from his wage slaves was huge?"] It follows that commodities are not sold at their values, but in accordance with their cost price plus the average profit." [The audience rises, roars, and in chorus sings out: "Professor, you mistook your calling. You should apply to the Barnum and Bailey Circus. Disguise yourself as a Jap. You can give the expertest Japanese juggler card and spades—and win out.]

And the curtain drops on the third and last act of the

play. Nor do we now care whether Prof. Skelton is now left within or without the curtain.

Daily People, Vol. XII, No. 365. Saturday, June 29, 1912

Appendix

Letter Box Answer to “R.B., King, Neb.”

R.B., KING, NEB.—As to the Marxian law of the “rates of profits,” read this spring’s series of articles on Prof. Skelton’s book which was intended to “refute Marx,” and the criticism of which book treats with the subject extensively. A final article is yet to close the series, and it will then be published in pamphlet form. In the meantime you are referred to the back copies of the *Daily* or *Weekly People* containing the series. They can be easily obtained.—Next question next week.

Daily People, Vol. XIII, No. 161. Sunday, December 8, 1912

From National Secretary Arnold Petersen’s Report to the NEC in Session, May 6–7, 1939.

For many years the pamphlet *Vulgar Economy*, by De Leon, has been out of print. Briefly, the reason is a certain inconsistency (or perhaps I should say irreconcilability) in the figures used by De Leon. Recently Comrade Zimmerman has been wrestling with this problem, and he thinks now that he has found a way of solving the problem without violating the De Leon text, or otherwise impairing the argument and reasoning of De Leon. I regret that I have been unable to find the time to study Comrade

Zimmerman's proposition, but if he is right, then, with the Sub-Committee's concurrence, we expect soon to bring out a new edition of this otherwise magnificent work. (pg. 7)¹⁶

{THE END}

[Transcribed by Robert Bills for the official Web site of the
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¹⁶ Although Petersen does not identify the problem, his reports to the National Convention in 1940 and the NEC Session in 1941 indicate that a new edition of *Vulgar Economy* was still in contemplation.—*R.B.*