ABSTRACT

Phenomenon of Class-conflict in Classical Economics

A THESIS SUBMITTED TO THE ALIGARH MUSLIM UNIVERSITY, ALIGARH, FOR THE DEGREE OF DOCTOR OF PHILOSOPHY (ECONOMICS)

By:—

R. P. MITTAL

August, 1970.
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ABSTRACT

It is generally suggested that the classical economists are known for their emphasis on class-harmonies in the functioning of a capitalist economic system. Yet a careful reading of the works of the prominent members of the school creates a doubt about the validity of this proposition.

Adam Smith was foremost in emphasizing class-harmonies; yet a number of passages are found in the *Wealth of Nations* which pointed out the conflict between the capitalist and labourers in unambiguous terms. It is to be seen whether these passages fit into his analysis to show that the functioning of his system inevitably lead to a conflict between these two important classes. David Ricardo has once and again pointed out that a rise in wages cannot occur without leading to a fall in the rate of profit as such indicating a clear conflict between capitalists and labourers. Yet it is doubtful whether this simple statement fits into his analysis which directly points out a conflict between landlords and other classes of the society. It is to be investigated whether the real conflict in the Ricardian system lies between the capitalists and the labourers or between the landlords and the capitalists. It is again interesting to note that even in Malthusian system there are some hints regarding the capitalist-labourers conflict. J.S. Mill was the first economist who tried
to distinguish between laws of production and laws of
distribution. The laws of production, he thought, were the
natural laws whereas, the laws of distribution were only man-
made and institutional in nature. He also suggested a change
in the basic institution of private property leading to equality
of opportunity between various classes thereby implying that
in the institution of capitalism there was something wrong
and depressive for the labourers as a class. It is to be
analysed whether this may be considered as class-conflict
between capitalists and labourers in his system. A great
economist who needs to be included in the classical economics
is Karl Marx whose analysis is full of capitalists and labourers
conflict. It is to be seen to what extent, if any, this can
be related to the concept of class-conflict in other classical
economists.

The work seems to be both interesting and exciting.
It is surprising that no comprehensive work has so far been
done on this problem and in the thesis at hand it is proposed
to fill up this gap in a small way.

One very important point to note is that none amongst
the classical economists tried to define a class and the
class-conflict. Even its enthusiastic supporter Karl Marx who
views class conflict as a principal feature of historical change,
cannot be said to have operated with a definite conception of
what it is that constitutes a class. However, the fragmentary notes assembled in Karl Marx's unpublished chapter, are enough to show that for him, as for his predecessors among the classical economists, the field of study was defined by the existing division of European society into - landowners, capital owners and propertyless labourers.

Adam Smith proposed a harmonious order in society guided by natural laws under the active supervision of the kind providence. In economic field, self-interest and perfect competition were propounded as the guiding principles of human activity. Thus, Smith advocated if the individual is left free to act according to his self-interest, it will certainly promote general welfare. Perfect competition was all pervading and worked as a watch-dog when things went otherwise. Ricardo and the other classical economists to follow took the Smithian system for granted and worked on it.

The classical economists drew two very important conclusions from the laws they enumerated for the smooth working of the system. Firstly, these laws came to be endowed, and not only with an eternally inevitable, but also (in the main), a beneficial character. The 'invisible hand'. was an instrument by which harmony emerged and the general good triumphed. Secondly, since values were established by a process of free contract on the market, constantly guarded by competition, there could be no question of one party to an exchange getting something for nothing, or
outwitting or exploiting the other, save as a temporary or exceptional occurrence. This was generally held to apply to the wage contract as well as to any other. Labour could have no permanent grievances against capital because the master was as necessary to the labourer as the labourers were to his master, and each must have his purchase-price.

There are however, some competent economists who have recently challenged the consistency of natural order in the two works of Adam Smith - 'The Theory of Moral Sentiments', and the 'Wealth of Nations'. We found that there could be no doubt about the consistency because a man of so stable integrated character as Adam Smith was not subject to 'deep intellectual' doubts or fissures would write two books over the same period and give different interpretation to the concept of 'invisible hand' and natural order in both of them. Moreover, between 1759 and 1784 there appeared five editions of the Theory of Moral Sentiments. None of these, even the sixth and definitive edition of 1790, although it shows considerable changes in the text gives not the slightest hint of any change in the meaning of the doctrine of natural order.

One should however, note that consistency in the two books does not automatically prove that the harmonious order propounded in the Theory of Moral Sentiments remained intact in the Wealth of Nations. We found that the system could not work smoothly. Perfect competition could not work as a watch-dog due to the tactics of the capitalist class. Monopolistic terms were so powerful that Adam Smith failed to suggest any
antidote to them. Again, self-interest prompted the
members of the two classes— the capitalists and the labourers
to combine and block the way of perfect competition.

Smith thus started to trace the instances where the
interest of the classes do not coincide but conflict. Labourers,
who are the actual producers of the wealth of nations were
reduced to live on the subsistence wages, and sometimes below
that also. The surplus produced by them is appropriated by
the capitalists; 'a deduction' what Smith calls it, from the
produce of labour. Again profit and wages are inversely
related. This gave Smith an opportunity to sympathise with
the labourers.

Again, Smith saw instances when high rate of interest
could eat-up the whole of profits and the rent of the landlords.
Similarly, high profits may absorb the whole of the rent.
Incidently, these findings may be quoted as instances of class
conflict between the two propertied classes - the landlord
and the capitalist. Smith was, once again, critical to the
peculiar position of the landlords who wanted to reap where
they have not sown.

There is once again a persistence controversy about the
phenomena of class conflict in the Ricardian system. Marx,
for example, traces a conflict between the capitalists and
the labourers in the Ricardian analysis. He saw the introduc-
tion of machinery as injurious to the interests of the
labourers. The remuneration of these two classes, moreover, is
inversely related. Thus Marx saw wages as the pivotal problem for the determination of profit in the Ricardian system.

We, however, found in the Ricardo's works that his theory of profit was linked with rent and nothing else. The development of the capitalist mode of production brings an increased population which in its turn increases the demand for foodgrains. As the area of the fertile land is limited, less and less fertile lands are cultivated with the operation of the law of diminishing returns. Price of foodgrains rise to enable the farmers to continue the cultivation of the marginal land. Rent rises and profits fall. The rise of the price of foodgrains compels the capitalists to pay more money wages to allow the labourers their subsistence. Therefore, the conflict is always found between the two proprietor classes and not between the propertyed and non-possessing class.

In the short run machinery inflict injurious effects to the labourers who become redundant and are, therefore, thrown on to the street. Again the improvements on land are injurious to the interests of the landlords class, because they throw the inferior lands out of cultivation or reduce the difference between pre-marginal and the marginal land. In the long run however, a fund is created by the capitalists out of their savings which will certainly increase the demand of labourers in the new industries. The pressure of population once again, creates favourable conditions to the landlords class in the long run.
Thus, the present work establishes that there is no class-conflict between the capitalists and the labourers in the Ricardian system. Ricardo was concerned with the conflict of two propertied classes.

Malthusian system is so well knit that no extra-ordinary mind can trace any flaw in the system. The entire system is based upon the twin forces of supply and demand. Wages, profit, and rent - the component parts of the price, are determined by the market mechanism, hence there could be no question of maladjustments and flaws. We found that Malthus patched-up the flaws in the system of his master - Adam Smith. He established that the interests of the two propertied classes are harmonious, and that improvements in agriculture are beneficial to the landlord class. Machinery does not inflict injurious effects to the interests of labourers. He controverted with Ricardo about these problems.

We however, say that Malthus also was not sure about the proper functioning of the capitalist system. He observed seeds of crisis due to over production caused by under consumption. He holds that the accumulation of capital goes on after a certain point then the production increases to such an extend that the labourers with their low-wages, the capitalists with their persimmonious habits cannot purchase the entire produce. Malthus suggests the maintenance of unproductive consumers. He appreciates the landlord class as an element in the necessary balance of the healthy society, a balance between the accumulating instincts of the industrialists and the market for their products provided by a consuming class.
of incidence of birth and proposed to limit the amount from inheritance by law.

Mill held labour the only productive class out of the three - landlords, capitalists and labourers. He produces over and above his subsistence wage. Thus actual produce minus the subsistence allowed to the labourer, will be equal to the surplus produce appropriated by the capitalist class as profits of the stock. This surplus, however, is not the result of exchange system but it is a creation by the labourer. Mill says that in case the labourer produces twenty per cent over and above his subsistence wages, the rate of profit will be exactly twenty per cent whether any exchange takes place or not.

Mill does not call the above appropriation as exploitation of the labourers. He was, however, not satisfied with the existing mode of distribution in which remuneration had no correlation with the actual work performed. The labourer, who actually works gets the smallest share, whereas the largest goes to those who have never worked or whose work is only nominal. He, therefore, suggests the workers to unite themselves and form trade-unions to protect their interests.

Machinery inflicts injurious effects to the interests of the labourers in the short-run. Though he agrees with Ricardo that in the long-run it creates conditions favourable to the labour-class, yet his comments are more severe than that of Ricardo. He found that the machines enabled a few to make fortunes but the majority is still living in the same life of
J.S. Mill follows Ricardo and found a conflict between the two propertied classes. He like Ricardo, also discusses that the improvements on land are injurious to the interests of the landlords. In the long-run, however, the injurious effects are nullified because of the pressure of population on land and landlords are ultimately benefitted.

J.S. Mill also traces the conflict between the labourers and the capitalists. It is interesting to note that Mill becomes the first classical economist who deals with the history of this class-conflict from primitive stage of society to the present day.

He differentiates the laws of production with those of the laws of distribution. He found that private property is the outcome of a struggle and violence. The mighty turned the weaker out of possession. Society is divided, in the rude stage, between conquerors and the conquered or the proprietors of land and its tillers. The serfs were exploited by the proprietors. They were forced to work for the lords. These relations were transformed into masters and the slaves, in the slave society. The masters forced the slaves to work as much as force could extract from them, and allow them to consume as little as the self-interest or usually very slender humanity of their task master would permit.

In the capitalist society this class struggle is carried on by the capitalists and the labourers. Capital is the outcome of violence and plunder. It is nothing but the stored labour of past. Mill was also critical of the chapter
drudgery and imprisonment.

So far as Karl Marx is concerned, he developed a scientific analysis in dialectical materialism and traced the history of the evolution of society in the concept of class-conflict. He starts with the primitive stage in which there are no classes and hence there is no question of the class-conflict. But once the seeds of private ownership are sown, there emerged two hostile classes - the masters and the slaves in the slave society; lords and serfs in the Feudal society.

In the capitalist society the class-conflict is carried between the labourers and the capitalists what Marx called them as proletarians and the bourgeoisie. Marx saw the labourers as the only productive class. They create surplus-value during the process of production. This surplus is pocketed by the capitalists. Marx calls this appropriation as an exploitation of the labour because he refutes every claim advanced by the capitalists for its appropriation. The introduction of machinery is also injurious to the interests of the labourers, who are thrown on to the streets. No new fund is created to absorb the reserved army.

Marx also narrates the distinctive features of the class-conflict in the capitalist class. It is in the first place, an international movement. Secondly it will result in the overthrow of the capitalist mode and will end in the establishment of the socialist society - a class less and harmonious society.
To trace the phenomena of class-conflict from Adam Smith to Karl Marx we found that there has been a persistence tendency amongst the classical thinkers to treat the landlords as functionless residual claimants and to establish a clash of interest between the two propertyed classes - the landlords and the capitalists. The theory of rent propounded by Ricardo and followed by other classical writers thus formed the ground for maintaining that the very policies which would tend to the lowering of the rate of profit and consequent retardation of capital accumulation and industrial progress would at the same time augments the revenue of the landlord class and swell the burden of unproductive consumption on the nation wealth.

The theory of surplus-value propounded by Karl Marx implied that since the two class-incomes of profits and wages were so in their essential character and in the manner of their determination, the relation between them was necessarily one of antagonism in a sense which made it qualitatively distinct from the relation between ordinary buyers and sellers in a free market. The capitalist class would have an interest in perpetuating and extending the institution of a class - society, which maintained the labourers in a dependent position and created surplus-value as a category of income, as powerfully as the landed interest had formerly in maintaining the corn-laws, while the labourers would have a corresponding interest in weakening and destroying these basic property rights.
Thus, the importance of the theory of surplus-value as the basic for a critique of capitalism was in many respects parallel to that of the theory of rent for a critique of the landed interest in the hands of the Ricardian school.

Similarly, Marx found the seeds of his concept of surplus-value in the systems of Adam Smith and Ricardo (we have traced it in the system of J.S. Mill also). This surplus is appropriated by the capitalist class. The classical thinkers found this appropriation necessary because capitalists cannot live without profit as the workers without wages. We saw that there was a serious slip on the part of the classicalists that they did not propose sound arguments in support of this appropriation. Moreover, they could not convince why the services of the capitalists could not be termed as gratious as that of the land. This positive slip opened the way for the doctrines of Karl Marx, because it required very little shifting to enable him to lump land and capital together as instruments of producing surplus-value for their owners by means of the exploitation of labour.

We have, however, also traced the differences in the concept of class-conflict between the earlier classical thinkers with that of Karl Marx. They may be summarised as follows:

In the first place, the classical thinkers were mainly concerned with class-harmony. If we could see instances of class-conflict, they may be regarded as a flaw in their
systems. They were not keen to develop their systems on the concept of class-conflict. It was left to Marx to develop his system on the lines presuming class-conflict as an important lever for the progress of the society from Primitive stage to that of socialism.

Secondly, the earlier thinkers were never doubtful about the future of capitalism, whereas Marx was pre-occupied to destroy it.

Thirdly, Marx had political motives behind his concept of class-conflict, whereas there was nothing like this with his predecessors.

Fourth and the last was that violence was the main instrument with Marx, whereas laissez-faire and free play of the economic forces with the earlier thinkers.

Still Marx started his analysis within the premises chalked-out by his predecessors. To Marx classical thinkers disclosed only half of the problem of capitalism because they narrated the positive side only. The negative side, or the criticism of the capitalist system, was equally important, which was developed by Karl Marx. Marx, therefore, expresses his indebtedness to the classical thinkers for the concept of class-conflict. The contribution of Karl Marx for the concept, is as follows:

Firstly, Marx associates the concept of class-conflict with the mode of production.

Secondly, class-struggle is on its way to the establishment of the dictatorship of the proletariat.
Thirdly, he proposes the establishment of a class-less and harmonious society through the concept of class-conflict.

The present work, in the end, is bound-up with the remarks that the general opinion which suggests that there is no class-conflict in the classical economics, is incorrect; and that those who think that Marxism is the product of bourgeois-mind are correct.

Thus, this work fills-up a big and much wanted gap in the history of economic thought by tracing the phenomenon of class-conflict in classical economics - from Adam Smith to Karl Marx. Economists already held that Marx is the child of the classicalists. To my knowledge no comparative work has so far been done to establish the problem discussed in the present thesis. In this respect the work is original and will provide the thinkers an opportunity to review their opinions about the concept of class-harmony in the systems of the classical economics.

I have studied in details almost all the original works of the thinkers: Adam Smith's Wealth of Nations, Theory of Moral Sentiments and Whole works; Sraffa's ten volumes for Ricardo, Sraffa's second volume for Malthus and Essays on population by Malthus. For J.S. Mill I read his Principles, Autobiography, Lectures, letters and for Marx his capital in three volumes, Marx and Engels works in two volumes, Communist Manifesto etc. Journals, periodicals and other secondary sources have also been consulted in a greater details to support my viewpoint. In the present work I have engaged myself with the central theme of class-conflict and hence not touched the other matters of controversy.
Phenomenon of Class-conflict

IN

Classical Economics

A THESIS SUBMITTED TO THE
ALIGARH MUSLIM UNIVERSITY, ALIGARH,
FOR THE DEGREE OF DOCTOR OF PHILOSOPHY
(ECONOMICS)

August, 1970.

By:

R. P. MITTAL
August 19, 1970.

THIS IS TO CERTIFY THAT THIS THESIS IS THE ORIGINAL WORK OF THE CANDIDATE DONE UNDER MY SUPERVISION AND IS SUITABLE FOR SUBMISSION FOR THE AWARD OF PH.D. DEGREE IN ECONOMICS.

(Mohammad Shabbir Khan)

Head of the Department of Economics,
Aligarh Muslim University,
ALIGARH.
It is generally suggested that the classical economists are known for their emphasis on class harmonies in the functioning of the capitalist economic system. Yet a careful reading of the works of the prominent members of the school creates a doubt about validity of this proposition.

Adam Smith was foremost in emphasising class harmonies; yet a number of passages are found in the *Wealth of Nations* which pointed out the conflict between the capitalists and labourers in unambiguous terms. David Ricardo has once again pointed out that a rise in wages cannot occur without leading to a fall in the rate of profit as such indicating a clear conflict between capitalists and labourers. It is again interesting to note that even in Malthusian system there are some hints regarding the capitalist-labourers conflict. J.S. Mill was the first economist who tried to distinguish between laws of production and laws of distribution. He also suggested a change in the basic institutions of private property leading to equality of opportunity between various classes thereby implying that in the institution of capitalism there was something wrong and depressive for the labourers as a class. A great economist who needs to be included in the classical economists is Karl Marx whose analysis is full of capitalists and labourers conflict.
These instances in the systems of the classical economists inspired me to select the present topic with a view to investigate whether these passages fit into their analysis to show that their systems inevitably lead to a conflict between the classes in the society. Again, to verify to what extent, if any, Marx's analysis can be related to the concept of class-conflict in other classical economists.

One very distinctive point to be noted here is that the classical economists were primarily concerned with class harmonies, therefore, any trace of class-conflict may be attributed as a flaw in their systems. The classical economists were not interested to develop their systems on these lines. It was, however, left to their last representative - Karl Marx to base his system on class-conflict and to propose a classless and harmonious order in his last form of society - the socialist society.

The definition of the class, class-conflict and other relevant matter has been discussed in the First Chapter Introduction, hence I need not repeat it here.

In the completion of this work I am indebted to Professor Mohammad Shabbir Khan, Head of the Department of Economics, Aligarh Muslim University, Aligarh who guided me on every step and carried out so many corrections, alterations and modifications. I also freely borrowed his ideas and subject-matter from his works, specially from Ricardo's Theory
of Distribution. Faculty of Arts Publication Series - 4, 
(Aligarh, Muslim University, 1960). Truely speaking, it is
only due to his guidance and encouragement that I could be
able to write this thesis.

I am also thankful to Dr. Mrs. K.S. Khan, Mrs. S.I. Habib
of the Department of Economics, Aligarh Muslim University,
Aligarh, Professor Murari Lal, Principal and Head of the
Department of Economics, Shri R.P. Varshneya, Shri S.P. Varshneya,
Professor K.S. Saxena, of S.V. College, Aligarh, for their
psychological treatment and encouragements.

Thanks are also due to the Librarians, Maulana Azad
Library, A.M.U., Aligarh; Rattan Tata Library, University
of Delhi, British Council Library, Delhi, Gokhle Institute
Poona; Bombay University, Bombay; Agra University, Agra who
kindly consented to consult the books and journals. In the
end, I am thankful to Mrs. Saraj Mittal and Km. Rashmi Mathur
for their help in the comparison work of quotations from the
books quoted, and the type copies from the manuscript.

ALIGARH MUSLIM UNIVERSITY
ALIGARH

R.P. MITTAL

Dated the 25th August, 1970.
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CHAPTER I

INTRODUCTION
"The concept of class", remarks Maurice Dobb "has .... been by no means the peculiar child of one thinker or of one school of thought. While some have denied that there is such an entity, and some have even denounced it as a misbegotten conception."¹ Therefore, to know about the phenomenon of class-conflict is all the more a controversial topic. However, we may proceed with our inquiry how the earlier classical thinkers and afterwards Marx narrated the concept in Economics.

It is rather strange that none amongst the classical thinkers tried to define a 'class' and the 'class-conflict'. Even its enthusiastic supporter who views class-conflict as the principle feature of historical change, cannot be said to have operated with a definite conception of what it is that constitutes a class. The paradox has often been noted that Marx's major work breaks off at the very point where its author for the first time attempted a systematic consideration of this topic. However, the fragmentary notes assembled in


Professor Carr-Saunders and D.C. Jones in their social structure of England and Wales (pp.71-72) appear to deny that it is statistically discoverable as a social grouping. Mr. Keynes tells of the late Professor Foxwell that he once declined to deliver a Presidential Address to the Royal Economic Society about Ricardo on the ground that his onslaught on the author of the dreadful heresy of a conflict of interest between capital and labour would have been too provocative". (Quoted by Dobb. Maurice, *Ibid.*, p. 93 fn)
Karl Marx's unpublished chapter are enough to show that for him, as for his predecessors among the classical economists, the field of study was defined by the existing division of European society into landowners, capital-owners, and property-less labourers.

Adam Smith's reference to classes may be referred to his study of the problem of value and its component parts. He wrote, "The whole annual produce of the land and labour of every country, or what comes to the same thing, the whole price of that annual produce, naturally divides itself... into three parts, the rent of land, the wages of labour, and the profits of stock; and constitutes a revenue to three different orders of people; to those who live by rent, to those who live by wages, and to those who live by profit". Thus "These are three three great, original and constituent orders of every civilized society, from whose revenue that of every other order is ultimately derived". 1

This three-fold division of the classes in the society was taken for granted by all the classical thinkers to come. George Lichtheim, thus writes, "there was little for Ricardo to add, or for Marx to elaborate so far as the general principle was concerned". 2 Marx also repeated, "The owners merely of labour-power, owners of capital, and landowners, whose respective sources of income are wages, profit and ground rent,

in other words, wage-labourers, capitalists and landowners, constitute three big classes of modern society based upon the capitalist mode of production.¹

Maurice Dobb, however, adds, "It was clearly no accident nor was it for reasons simply of formal convenience that the political economists cost their theory of how the income of society was distributed in terms of 'the three classes' of the community which concern in its formation". It is rather obvious that they were having no clear idea about the basis of this grouping, and of its origins because for them it was simply one of the forms which the division of labour assumed in a


i-Similarly Ricardo, David writes "The produce of earth - all that is derived from its surface by the united application of labour, machinery, and capital is divided among three classes of the community; namely the proprietor of the land, the owner of the stock or the capital necessary for its cultivation, and the labourers by whose industry it is cultivated" (The Works And Correspondence of David Ricardo, Edited by Piero Sraffa and M.H. Dobb, Cambridge, At the University Press, For the Royal Economic Society (1953), p. 5 (Hereafter referred to as 'Works of David Ricardo').

ii-Malthus T.R., also wrote, "The three conditions therefore must, in every society be necessarily fulfilled, in order to obtain the supply of by far the greater part of the commodities which it wants; and the compensation which fulfils these conditions or the price of any exchangeable commodity, may be considered as consisting of three parts - that which pays the wages of the labourer employed in its production; that which pays the profits of capital by which such production has been facilitated; and that which pays the rent of land or the remuneration for the raw materials and food furnished by the landlord" (Works of David Ricardo, Vol. II, pp. 52-53).

iii-Mill, J.S. advocates of this three-fold division of society into landowners, capitalists and productive labourers and, "Each of these classes, as such obtain a share of the produce; no other person or class obtains anything, except by concession from them ... These three classes, therefore, are considered in political economy as making up the whole community". (Principles of Political Economy with Some of their Applications cont.)
civilized society, "But the fact that it appeared to them so natural to group the problem in this way, without reason or argument, suggests that the three-fold division was generally regarded as something actual and fundamental, and that it was not a peculiar creation of economists".  

Having seen the division of society into three classes, we proceed to the next question of class-conflict. This conflict may arise due to divergent interests which create antagonism amongst the classes. This antagonism, however, must be of a sufficient order of importance for it to unite the various individuals and groups which are tied by this common interest, and so to give rise to actual conflict along class lines.

As the entire product of a nation is the result of a combined efforts of the three factors, it is distributed amongst them. Thus the common link in the members of a particular class, must be the source of income. If the distribution of the produce is in accordance with the contributions made by the various factors, there can be no question of conflict. The room for antagonism is left simply in the arbitrary method of distribution, in which the reward of a factor of production has no correlation with the services rendered, and one class feels that it is being exploited by the other. The main problem to Ricardo and to the Ricardian school was that of distribution of wealth amongst the various classes, and not that of production of the wealth.

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cont. to Social Philosophy" (Collected Works of J.S. Mill, Vol. II

Introduced by V.W. Bladon University of Toronto Press,


Adam Smith though, was initially concerned with the problems of production, yet engaged himself to work-out a theory of value which will also decide the rewards of the various factors of production. This line of thought is followed by his successors "It follows, therefore" writes, Maurice Dobb," that an essential condition of a theory is that it must solve the problem of distribution (i.e., determine the price of labour-power of capital and of land) as well as the problem of commodity-values; and it must do so not only because the former is essential indeed major part of the practical inquiry with which political economy is concerned, but because one cannot be determined without the other". 1

Smith's objective in evolving a system is obvious when he compares it with a machine to connect together in the fancy those different movements and effects which are already in reality performed. He thinks that the machines that are first invented to perform any particular movement are always the most complex and succeeding artists generally discover that with fewer wheels, with fewer principles of motion, than had originally been employed, the same effect may more easily be produced. "The first systems" writes Adam Smith "in the same manner, are always the most complex and a particular connecting chain, or principle, is generally thought necessary to unite

every two seemingly disjoined appearances; but it often happens that one great connecting principle is afterwards found to be sufficient to bind together all the disconnected phenomena that occur in a whole species of things.¹

Smith thus worked out a harmonious order in society guided by Natural laws under the active supervision of the kind providence. The pillars of this order in the economic field, were self-interest, and perfect competition. Thus Smith advocated if the individual is left free to act according to his self-interest, it will certainly promote general welfare. Thus, Jacob H. Hollander writes, "with some important qualifications, he concluded that the interests of society, by which he understood the interest of the sum of individuals in the group, would be best served by permitting each one to pursue his own interest in his own way."²

Perfect competition was all pervading and worked as a watch-dog when things went otherwise. Thus, Dr. James Bonar wrote that in all the phenomena for which economists try to account in theory, he tried to show that there was one element at the basis of all the rest in society as he then found it, viz. competition.³

Ricardo and his successors took the Smithian thinking, and worked on it. They rather assumed the things and started their thinking. The classical economists drew two very important conclusions from the laws they enunciated for the smooth working of the system. Firstly, these laws came to be endowned, not only with an eternally inevitable, but also (in the main) a beneficient character. The "invisible-hand" was an instrument by which harmony emerged and the general good triumphed. Secondly, since values were established by a process of free contract on the market, constantly guarded by competition, there could be no question of one party to an exchange getting something for nothing, or outwitting or exploiting the other, save as a temporary or exceptional occurrence. This was generally held to apply to the wage-contract as well as to any other. Labour could have no permanent grievances against capital because the master was as necessary to the labourer as the labourer was to his master, and each must have his purchase-price.

Thus, A.P. Lerner writes, that 'The vulgar Political economists were so much impressed by the elimination, in the bourgeois revolution of pre-capitalist forms of exploitation proper to slave or feudal economies that they identified this with the complete aboliton of all forms of exploitation of man by man and saw in liberal capitalist economy the final form of liberated human co-operation, awaiting only the polishing-away of some frictions to be revealed as the practical
answer to all the utopians". 1

When applied in practice, the classical economists found that the system evolved by them could not work in accordance with the same smoothness and harmoniously as they thought. Self-interest, for example, prompted the members of the two classes - the capitalists and the labourers to unite themselves. Consequently, monopolistic germs were generated and the way of perfect competition was blocked. Moreover, the capitalists being few in number combined easily and established supremacy over the labour class who were large in number, financially weak, always in search of a master to earn their livelihood, scattered and loosely connected.

Moreover, the classical economists saw that the landlord receives a reward in the form of rent without any personal exertion. Adam Smith emphasised class-harmony between the landlords and the rest of the society, was, however, every much critical towards their peculiar position. Ricardo eliminated their services and established clash of interest between the two proprietor classes - the landlords and the capitalists. Malthus though tried to patch-up the works of Adam Smith and tried to convince Ricardo that relations are harmonious, yet could not pursue him. J.S. Mill was nearer to

Ricardo than Malthus and established the clash of interest not only between the two proprietor classes - the landlords and the capitalists, but also between the capitalists and the labourers. Thus A.P. Lerner comments, "it was impossible for classical Political Economy to avoid occupying itself with problems of the class-structure of society and its class-conflict".  

Marx, on the other hand, starts with the phenomenon of class-conflict as the basis for his system. For him, "The history of all hitherto existing society is the history of class-struggle".  

According to Marx's view of history process had seen the march of various class-systems each generating and in term conditional by the technical conditions and their associated modes of production at the time. Class antagonism, rooted in the relationship of different sections to the prevailing means of production, had been the basic motive force of the process - of the passage from one form to the next. As became clear from an examination of its origins, capitalism was also a class-system, different in significant respects from preceding ones, yet nevertheless a system rooted in a dichotomy between possessing masters and subject dispossessed.

1. Icid., p. 558.

Thus, writes Maurice Dobb, "It was natural that Marx should look to the peculiarities of this class in relation to find to key to the essential rhythm of classical society - to find the disequilibria, the tendency to movement, and to movement in its base and not merely on its base, behind the veil of economic harmonies which an analysis merely of exchange relations in a free market seemed to reveal. As contrasted with equality of rights, here was revealed inequality of economic status; as contrasted with contractual freedom, economic dependence and compulsion".¹

Thus Marx started his inquiry within the premises worked-out by the classical thinkers. He investigated how the labourers are being exploited by the capitalists within the exchange relations even without violating the contractual conditions. He thus established antagonistic relations between the labourers and the capitalists.

Thus, the purpose of this thesis is to verify, firstly, whether there is any trace of the phenomena of class-conflict in the systems of the classical economists. Secondly, how Marx is indebted to the classical economists - his predecessors in formulating his theory of class-conflict.

¹. *Political Economy and Capitalism*, p. 58.
The first problem will be discussed in the second, third, fourth, fifth and the sixth chapters of this thesis. In the second chapter we will try to see whether Adam Smith's system in the Wealth of Nations remains intact as it was in the theory of Moral Sentiments or there is deviation towards a partial class-harmony.

In the Third chapter on Ricardo, we will verify whether Marx was correct in tracing the phenomena of class-conflict between the labourers and the capitalist class; or the prevailing thinking supported by Paul M. Sweezy and Mohammad Shabbir Khan etc. that Ricardo was concerned with the class-conflict between the two proprietor classes - the landlords and the capitalists.

In the fourth chapter we will discuss Malthus' system and verify how he could maintain his system intact and also how he succeeded in patching up the lapses of his master - Adam Smith. We will also discuss how he tried to convince his contemporary learned economists - Ricardo on the question of class harmony.

In the fifth chapter we try to discuss J.S. Mill's system with a view to know how he could maintain his legacy from his predecessors and how he deviated from them under the influence of his wife Mrs. Taylor and also under the pressure of the prevailing circumstances of his times.
In the sixth chapter Marx's system will be discussed with a view how he starts with the concept of class-harmony in the primitive stage of society and then switches on to class-conflict in the slave, feudal and capitalist society, and once again to a classless society with no class-conflict.

The second problem will be discussed in the Seventh chapter - the last chapter. We will discuss the points in which Marx is indebted to his predecessors, their related problems, differences etc. and will form our opinion whether "orthodox economists argue in terms of harmony of interests between the various sections of the community",¹ as Joan Robinson and others hold or "that Marxism essentially a product of the bourgeois mind",² as Joseph A. Schumpeter and others support.

Adam Smith's 'The Theory of Moral Sentiments' presents a complete harmonious order based on some self-evident truths under the guidance of the kind providence. The book is so well kint that no extra-ordinary brain can find leakage in the system. The main cause of this harmony may be attributed to the nature of the book in which Smith remained merely a speculative philosopher carrying nothing about the practical spheres. Henry J. Bittermann wrote, "The Theory of Moral Sentiments was a purely academic study, an attempt to discover a valid theory of morals by empirical methods. Smith, like other authors of ethical treatises, could not expect his work to have any practical effect beyond the incidental edification of his readers".¹ This harmonious order, however, could not be maintained perfectly in the Wealth of Nations. The author himself doubted the working of the system and found the seeds of class-conflict.

Before tracing the phenomena of class-conflict, we must however, discuss in brief the nature of the harmonious order, and then see whether it could work smoothly in the Wealth of Nations.

In his essays Smith conceived all natural science as working to form, develop, and verify theories of "connecting-links" joining events that seem isolated to nonscientific observation together into a coherent, ordered system of all events, all mutually connected. He, therefore, compared a system with the machine invented to connect together in the fancy these different moments and effects which are already in reality purformed.2

Smith developed a harmonious order in Nature manufacturing itself through the instincts of the individual man. The oldest source in which he expressly finds an approach to his own views in the science of classical philosophers, "In the first age of the world... the idea of a universal mind, of a God of all, who originally formed the whole, and also governs the whole by general laws, directed to the conservation and prosperity of the whole, without regard of any private individual, was a notion to which (the Ancients) were utterly strangers... (but) as ignorance begot superstition science gave birth to the first

1. The titles of these three essays are (a) The principles which lead and Direct Philosophical Inquiries Illustrated by the History of Astronomy. (b) The Ancient And the Modern Logic and Metaphysics. (c) The Ancient Physics (See Adam Smith's Works Vol.V 'Essays' on Philosophical Subjects (London, Ward, Lock & Co., 1822,0 n.d.

that arose among those nations, who were not inlightened by divine Revelation". ¹

Professor Jacob Viner writes, "Smith's major claims to fame seems to rest on his elaborate and detailed application of the economic world, of the concept of a unified natural order, operating according to natural law, and if left to its own course producing results beneficial to mankind". ² He has an exponent of natural liberty. His bibliographer, John Rae, cited a lecture delivered in 1749 which contained the essence of his fully developed doctrine, as expounded in the Wealth of Nations. "Projectors disturb nature in the cause of her operations on human affairs, and it requires no more than to leave her alone and give her fair play in the pursuit of her ends that she may establish her own designs... little else is required to carry a state of the highest degree of affluence from lowest barbarians but, peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things. All governments which thwart this natural course, which force things into another channel, or which endeavour to arrest the progress of society at a particular point, are unnatural and to support themselves, are obliged to be oppressive and tyrannical". ³

1. "History of Ancient Physics, p. 391-92 (Essays Philosophical And Literary by Adam Smith).
In "The Theory of Moral Sentiments" Smith evokes a complete harmonious natural order maintaining itself through the operation of the forces of external nature and innate propensities implemented in man by Nature. In the Theory, self-interest regulated by natural justice and tempered by sympathy or benevolence operate in conjunction with the physical forces of nature to achieve the beneficial purposes of Nature. Underlying the matter of fact phenomena of human and physical nature is benign Nature, a guiding providence which is concerned that natural process shall operate to produce the happiness and perfection of the species. The essence of Smith's doctrine appears to be that providence has so fashioned the constitution of the external nature as to make its processes favourable to man, and has implanted into human nature such sentiments as would bring about through their ordinary working the happiness

1. Smith writes, "The idea of that divine Being whose benevolence and wisdom have from all eternity contrived and conducted the immense machine of the universe so as at all times to produce the greatest possible quantity of happiness, is certainly, of all the objects of human contemplation by far the most sublime... The administration of the great system of the universe, . . . the care of the universal happiness of all rational and sensible beings, is the business of God, and not of man. To man is allotted a much humbler department but one much more suitable to the weakness of his powers and to the narrowness of his comprehension - the care of his own happiness and of that of his family, his friends, his country" (The Theory of Moral Sentiments or An Essay Towards an Analysis of the Principles by which man Naturally Judge Concerning the conduct and Character first of Their Neighbours And Afterwards of Themselves. To which is Added, A Dissertation on the Origin of Language. (New Edition) (i.e. With a biographical and critical Memoir of the Author by Dugald Stewart (London, Henry G. Bohn, York Street Covent Garden, 1853) pp. 347-48 (hereafter refer to 'The Theory of Moral Sentiments').)
and welfare of mankind. The controller of the system of natural order has been designated with various titles in 'The Theory of Moral Sentiments'. Among them are - "Author of nature"(p.135, 153,185), "Judge of the World"(176), "The all wise-Author"(185) "All seeing judge"(187), "Diety"(232), "great benevolent"(345) " great Conductor of the universe"(347), "divine-Being"(347), "invisible hand"(264) etc.

Whenever a conflict of sentiments arise due to unsocial passions or sentiments, Smith bring for the impartial spectator into the scene who disapproves the deeds of the evil doer. The evil doer corrects himself according to the general rules of conduct. Thus nature has not " abondoned us entirely to the delusions of self-love. Our continual observations upon the conduct of others insensibly lead us to form to ourselves certain general rules concerning what is fit

1. For example, about fellow-feeling, Smith writes in The Theory of Moral Sentiments, "Nature, when she formed man for society endowed him with an original desire to please, and an original aversion to offend his brethren. She taught him to feel pleasure in their favourable, and pain in their unfavourable regard. She rendered their approbation most flattering and most agreeable to him for its own sake, and their disapprobationmost mortifying and most offensive". (p.170). And thus "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him,... That we often derive sorrow from the sorrow of others, ... for this sentiment, like all other original passions of human nature, is by no means confined to the virtuous and humane, though they perhaps may feel it with the most exquisite sensibility. The greatest ruffian the most hardened violator of the laws of society, is not altogether without it". (p.1)
and proper either to be done or to be avoided".  

But, if the solution does not satisfy, Smith has another solution. If we despare of finding any force upon earth which can check the trimph of injustice, we, "naturally appeal to heaven, and hope that the great Author of our nature will himself execute hereafter, what all the principles which he has given us for the direction of our conduct prompt us to attempt even here; that he will complete the plan which he himself has thus taught us to begin; and will, in a life to come, render to everyone according to the works which he has performed in this world".  

So far as economic life is concerned, Smith advocates the principle of 'self-interest' as a pillar round which human activity clusters. The self-interest is however, regulated by natural justice. "In the race of wealth, and honours, and preferments, he may run as hard as he can, and strain every nerve and every muscle, inorder to outstrip all his competitors. But if he should justle, or throw down any of them, the indulgence of the spectators is entirely at an end. It is a violation of fair play, which they cannot admit of".  

The whole system is well kent and therefore, there is no room to find any exceptional case to harmoney of interest. The whole plan works smoothly to promote greatest happiness. Man has to work according to the moral sentiments because, "by  

2. Ibid., p. 240.  
3. Ibid., p. 120.
acting according to the dictates of our moral faculties, we necessarily pursue the most effectual means of promoting the happiness of mankind, and by therefore be said, in some sense, to cooperate with the Deity, and to advance, as far as in our power, the plan of providence. By acting otherwise, on the contrary, we seem to obstruct, in some measure, the scheme which the Author of Nature has established for the happiness and perfection of the world, and to declare ourselves, ... in some measure the enemies of God. Hence we are naturally encouraged to hope for his extraordinary favour and reward in the one case, and to dread his vengeance and punishment in the other.¹

Traces of general doctrine expounded in the Theory of Moral Sentiments - there is beneficial order in nature which, if left to take its own course, will bring to mankind maximum happiness and prosperity, are undoubtedly to be discovered in the Wealth of Nations. Jacob Viner writes, "Traces of every conceivable sort of doctrine are to be found in that most catholic book, and an economist must have peculiar theories indeed who cannot quote from the Wealth of Nations to support his special purpose."² "Self interest promotes harmony in the

¹. Ibid., p. 235.
². "Adam Smith and Laissez-faire" (op. cit., p. 207).
interest of the individual and that of the society. If all restrictions are taken away, "the obvious and simple system of natural liberty establishes itself of its own accord". In calling this order "natural" Smith means to say that it is superior to human contrivance and expresses the ultimate and rational foundation of things. It may be hindered by the unwise tinkering of governments; but it can never be completely destroyed. Thus, "in the political body, the natural effort which every man is continually making to better his own condition, is a principle of preservation capable of preventing and correcting, in many respects, the bad effects of a political economy, in some degree both partial and oppressive. In the political body, however, the wisdom of nature has fortunately made ample provision for remedying many of the bad effects of the folly and justice of man; in the same manner as it has done in the natural body, for remedying those of his sloth and intemperance".


2. Ibid., p. 638. (We should however, note "Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest of his own way, and to bring both his industry and capital into competition with those of any other man, or order of men".
In accordance with the theology, Adam Smith looks upon social and economic institutions as the product of a power beyond human power, of a reason which human reason can fathom but cannot initiate. He sees the working of an invisible hand in the action of self-interested individuals. Thus, according to Glenn R. Morrow, "We arrive, by way of Moral Sentiments, at a deeper understanding of individualism which is presented in the economic liberalism and laissez-faire of Wealth of Nations. It was an ethical, and not merely an economic individualism which Adam Smith held up as an ideal."  

There are some competent economists who have recently challenged the consistency of natural order in the two books. William D. Grampp, for instance writes, "The natural which is the achievement of economic man is a system which on examination turns out to be identical with the concept of perfect competition in modern price theory ... The famous invisible hand of Wealth of Nations is nothing more than the automatic equilibrium of a competitive market." Similarly, Robert L. Heilbroner thinks, "the main thinking in this was nothing but the formulation of


the laws of the market. What he sought was, "the invisible hand", as he called it...". 1

"It is however, unlikely" writes Mohammad Shabbir Khan, "that a man of so "stable integrated character" as Adam Smith was not subject to 'deep intellectual doubts or fissures would write books over the same period and give different interpretations to the concept of invisible hand and natural order in both of them". 2 Between 1759 and 1784 there appeared five editions of "The Theory of Moral Sentiments". None of these, not even the sixth and definitive edition of 1790, although it shows considerable changes in the text gives not the slight hint of any change in the meaning of the doctrine of natural order. As Dr. Zakir Husain aptly pointed out, "an interpretation that can reconcile the views expressed in the Wealth of Nations with those in the Theory of Moral Sentiments is more likely to be nearer the intention of the writer (Adam Smith) than one which does not do so". 3 The invisible hands passages are indeed identical in logic in both the works, although in the Wealth of Nations, because of its being the motive force in bringing about economic development in a nation it refers to


the problem of capital accumulation and its directions.\(^1\) Thus according to K. William Kapp, "It is, therefore, imperative that the Wealth of Nations be read in conjunction with the earlier Theory of Moral Sentiments".\(^2\)

We must however, take guard that there can be no doubt about the consistence of the two works but it does not automatically prove that the system advocated in The Theory of Moral Sentiments remained intact in the Wealth of Nations. Smith, when applied his theory in the practical world found short-falls in the system. Thus, Huxley upholds the idea of an order of Nature, in which parts are made to function harmoniously in the life of the whole. But he finds that in the organic world, the harmony is mared by the presence of pain, "a baleful product of the evolutionary process" and by a complicated struggle that is most intense in the soul of man and in society. He goes on to argue that the "ethical process" in society though it is a product of, is yet in conflict with, the "cosmic process", an ethical civilisation is build up not by "natural" forces

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Glenn R. Morrow, comments "In fact if those who believed there was a discrepancy between the Moral Sentiments and the Wealth of Nations had but taken the pains to consult the farmer work thoroughly, a great deal of this alleged discrepancy would have disappeared". "(Adam Smith and Philosopher", Journal of Political Economy, Vol. 25. (1927), p.330.
(which he takes to mean the forces of man's lower nature) but by unceasing "artificial" resistance to such forces. He therefore, damns laissez-faire individualism as heartily as it is condemned by Carlyle. Jacob Viner is also of the opinion, "But it can convincingly demonstrated that on the point at which they came into conflict there is a substantial measure of irreconcilable divergence between the The Theory of Moral Sentiments and the Wealth of Nations, with respect to the character of the natural order."

In the first place, the emphasis in The Theory of Moral Sentiments upon benevolent deity as author and guide of nature is almost, though not completely, absent in the Wealth of Nations. There are a few minor passages which can be quoted as supporting evidence of the survival in Smith's thought of the concept of divine Being who has so shaped economic process that it operates necessarily to promote human welfare; "The wisdom of nature has fortunately made ample provisions for remedying many of the bad effects of the folly and injustice of man"; a remark that with respect of smuggling the law of the country had "made that a crime which nature meant to do so", and a more famous passage, "invisible hand" which he used in The Theory of Moral Sentiments. The only implicit reference to God is one

4. Ibid., p. 848.
which could have given but scant comfort to the natural theology of his time. Thus, "Superstition first attempted to satisfy the curiosity, by referring all those wonderful appearances to the immediate agency of the gods. Philosophy afterwards endeavoured to account for them, from more familiar causes or from such as mankind were better acquainted with, than the agency of gods". To the extent that Smith in the Wealth of Nations does not expound a doctrine of harmonious order in nature, he accounts for it to "more familiar causes (and) to such as mankind were better acquainted with, than the agency of gods". Thus, Jacob Viner comments, "The significance for our purposes of this vital disappearance from the Wealth of Nations of the doctrine of an order of nature designed and guided by a benevolent god is that it leaves Smith free to find defects in the order of nature without costing reflections on the workmanship of its Author".

Secondly, Smith found an inherent harmony in the order of nature, whereby, man is, following his own interests, at the same time and without necessarily intending it serves also the general interests of mankind. In the Theory of Moral Sentiments the harmony is represented as universal and perfect. In the Wealth of Nations, however, this harmony is represented as not expending to all elements of the economic order and often as

1. Ibid., pp. 723-24.
partial and imperfect where it does extend. Jacob Viner comments, "where harmony does prevail, it is a rule a sort of average or statistical harmony revealing itself only in general mass of phenomena and leaving scope for the possibility that natural process whose general effect is beneficial may work disadvantageously in individual cases or at particular moments of time". As a rule, though not invariably, Smith qualifies his assertion of harmony by such phrases as "in most cases", "the majority" "in general", and "frequently" etc. For example the exercise of common prudence is a pre-requisite of the system of natural liberty is to operate harmoniously, and "though the principles of common prudence do not always govern the conduct of every individual, they always influence that of majority of every class or order". "It is advantageous to the great body of workmen... that all those trades should be free though this freedom may be abused in all of them, and is more likely to be so, perhaps, in some than in other".

2. Ibid., p. 459.
3. For example, "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages". (14). Again "Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily leads him to prefer that employment which is most advantageous to the society". (421). Similarly, "As every individual, therefore endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its conti..
There are a number of well-known passages in the Wealth of Nations in which asserts the existence of a more or less complete harmony between the general interests of society and the particular interests of the individuals. But whereas in the Theory of Moral Sentiments such general statements as these comprise the main substance of the doctrine of a harmonious order in the economic world, in the Wealth of Nations they play a much more modest role. Though Smith in the Wealth of Nations frequently makes general statements intended apparently to apply to the entire universe, he has always before him for consideration some concrete problem, of some finite section of the universe. Jacob Viner writes, "In no instance does Smith rely heavily upon his assertions as to the existence of harmony in the natural order at large to establish his immediate point that such harmony exists within the specific range of economic phenomena which he at the moment examining."

produce may be at the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security and by directing that industry on such a manner as it produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention". (423).


Thirdly, H.T. Buckle, in a passage often cited, holds that both works were essentially deductive, the one starting from the principle of sympathy, the other from self-interest.¹

Nowhere in the Wealth of Nations does Smith place any reliance for the proper working of economic order upon the operation of benevolence and sympathy, the emphasis upon which was the main feature in the account of human nature presented in the Theory of Moral Sentiments. Smith had little faith in the prevalence of benevolence in the economic sphere, "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves not to their humanity but to their self-love and never talk to them of our own necessities but to their advantages."

Even the college professor cannot be expected to expend much energy in teaching effectively, cannot even be defended upon to teach at all, if it is not made to his interest to do so.³

It must, however, be noted here that this is no shift from the Theory of Moral Sentiments and hence the natural order advocated there. Smith laid little stress, even in the Theory of Moral Sentiments, upon the importance of benevolence in the economic order. Society can yet along tolerably well even though beneficence is absent and self-love and justice alone operate. "Society may submit among different men, as among different merchants, from a sense of its utility, without any

mutual love or affection; and though no man in it should owe and obligation, or be bound in gratitude to any other, it may still be upheld by a mercenary exchange of good offices according to an agreed valuation”. Beneficence, “is the ornament which embellishes, not the foundation which supports the building, .. Justice, on the contrary is the main pillar that upholds the whole edifice” again “society may submit, though not in the most comfortable state, without beneficence; but the prevalence of injustice must utterly destroy it”.

Lastly, Smith who was an ardent supporter of natural liberty in bringing about harmonious and beneficent effects in The Theory of Moral Sentiments, failed to keep it intact in the Wealth of Nations. Perfect competition in the economic world, failed to operate smoothly because of the tactics of the capitalists and the traders. They combine and raise the price and do not sometimes allow the wages to settle on the natural course. Smith writes that those who imagine that masters rarely combine are ignorant of the actual world. “We seldom, indeed, hear of the combination, because it is the usual, and one may say, the natural state of things which nobody even hears of”. Moreover, Smith found it impossible to curb these ignoble activities by law. He thus writes “People of the same trade seldom meet together, even for merriment and diversion, but

conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible indeed to present such meetings, " one can also note, in the Wealth of Nations, Smith's extensive programme of governmental regulations.

In the Wealth of Nations, therefore, natural order even if left to take its own course could not promote complete, perfectly harmonious, and beneficial order. The harmony of interests is partial and number of instances can be traced when pursuit of self-interest leads to class-conflict.

There are three classes or orders of society. Smith writes, "The whole annual produce of the land and labour of every country, or what comes to the something, the whole price of that annual produce, naturally divides itself into three parts; the rent of land, the wages of labour, and the profits of stock; and constitutes a revenue to three different orders of people." Thus, "These are the three great original and constituent orders of every civilized society, up from whose revenue that of every other order is ultimately derived."

The interest of the capitalists conflict with those of the labourers when the farmer want more profits and the latter more wages. Smith writes, "What are the common wages of labour, depends everywhere upon the contract usually made between these two parties, whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible. The former are disposed to combine in order to raise,

1. Ibid., p. 128. 2. Ibid., p. 248
the latter in order to lower the wages of labour. 1

Smith could, like a wise spectator, see that in the
conflict the workers will always be the losers because of the
conditions which makes them weak and, therefore, they always have
to comply with the terms and conditions of the employers. Smith
writes, "The masters, being fewer in number, can combine, much
more easily". 2 Moreover, "A landlord, a farmer, a master
manufacture, or merchant, though they did not employ a single
workman, could generally live a year or two upon the stocks
which they have already acquired. Many workmen could not
subsist a week, few could subsist a month, and scarce any a
year without employment. In the long-run the wokmen may be as
necessary to his master as his master to him, but the necessity
is not so immediate". 3 The most immediate adverse cause to
the interest of the workman is that justice always sides the
capitalists when, "we have no acts of parliament against combining
to lower the price of work; but many against combining to raise
it". 4

It may however, be argued, "But though in disputes
with their workmen, masters must generally have the advantage,
there is however, a certain rate below which it seems impossible
to reduce, for any considerable time, the ordinary wages even
of the lowest species of labour". 4 We must not forget that

1. Ibid. p. 66 2. Ibid., p. 66
3. Ibid., p. 66 4. Ibid., p. 66
5. Ibid., p. 67
labour is the creator. Smith opens the Wealth of Nations with
the remark, "The annual labour of every nation is the fund
which originally supplies it with all the necessaries and
conveniences of life which it annually consumes, and which
consist always either in the immediate produce of that labour,
or in what is purchased with that produce from other nations." Moreover, the labourers do not produce only equal to their
subsistence paid by the capitalist as wages, but also a surplus
to the capitalists. Smith, for example writes, "As soon as stock
has accumulated in the hands of particular persons, some of
them will naturally employ it in setting to work industries people,
whom they will supply with materials and subsistence, in order
to make a profit by the sale of their work, or by what their
labour adds to the value of materials ... The value which the
workmen add to the materials, therefore, revolves itself in this
case into two parts, of which the one pays their wages, the other
the profits of their employer upon the whole stock of materials
and wages which he advanced".

Marx comments on the above passage in his Zwei Kritik,
"Adam Smith, then, regards surplus-value - that is to say the
surplus-labour, the surplus of labour performed and embodied
in the commodity over and above the paid labour, hence over and
above that labour which has received its equivalent in wages -
as the general category, while profit in its proper sense and ...

1. "Introduction and Plan of Work", Ibid., P. LVII.
ground-rent are regarded merely as its remifications.¹

Adam Smith further more writes, "It seldom happens that the person who tills the ground has wherewithal to maintain himself till he reaps the harvest. His maintenance is generally advanced to him from the stock of a master, the farmer who employs him, and who would have no interest to employ him, unless he was to share in the produce of his labour, or unless his stock was to be replaced to him with a profit. This profit makes the second deduction from the produce of the labour which is employed upon land.

The produce of utmost all other labour is liable to the like deduction of profit".² The workers everywhere and always need their subsistence, and a master to advance them the materials of their work till they complete it. Therefore, "He shares in the produce of their labour, or in the value which it adds to the materials upon which it is bestowed; and in this share consists his profit".³

Marx comments, "Here Adam Smith declares in so many words that ground-rent and profit of capital are simply deductions from the product of labourer, or from the value of his product, equal to the labour added by him to the raw material. But this deduction, as Adam Smith himself has previously

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3. Ibid., p. 65.
explained, can consist only of that part of labour which the
labourer adds to the materials over and above the quantity of
work which pays only for his wages or furnishes only the
equivalent of his wages - in other words this deduction of the
surplus-labour, the unpaid part of his labour".¹

Thus Adam Smith traces the source of the surplus-value
(though he has not used the word) which is appropriated by the
capitalist. The exploitation of the workers start when the
masters never allow more than the subsistence wages and sometimes
they try not to allow the subsistence even. Smith writes, "Masters
too sometimes enter into particular combinations to sink the
wages of labour even below this rate".² The condition of the
labourer becomes the worst when he has been reduced to be a
cog in the machine with no voice and respect in the society.
Smith describes his condition in the society thus, "His condition
leaves him no time to receive the necessary information, and
his education and habits are commonly such as to render him unfit
to judge even though he was fully informed. In the public
deliberations, therefore, his voice is little heard and less
regarded, except upon some particular occasions, when his clamour
is animated, set on, and supported by his employers, not for his,
but their own particular purposes".³ His appeal for justice,

¹ Manuscript, p. 256 (Quoted by Engles, op. cit., p. 9).
² Wealth of Nations, p. 67.
³ Ibid., p. 249.
his approach to the civil magistrate are futile. The trade unions are powerless and suicidal because, "The workmen accordingly, very seldom derive any advantage from the viole of those tumultuous combinations, which, partly from the interposition of the civil magistrate, partly from the superior steadiness of the masters, partly from the necessity which the greater part of the workmen are under of submitting for the sake of present subsistence, generally and in nothing, but the punishment or ruin of the ring-leaders". The laws are oppressive and defend the masters. It is all the more the law of nature to sympathise and honour the rich and discard the poor. "The poor man goes out and comes in unheeded,... They turn away their eyes from him,... The man of rank and distinction, on the contrary, is observed by all the world".2

Nobody can appreciate this state of affairs and claim the working of the harmonious and beneficial order in which majority of the people are poor, uneducated and ignorant. Smith, as a wise spectator and reader of the facts remarks, "No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and

1. Ibid., p. 67
The masters always complain of the high wages to cover their malpractices of charging high prices of their goods, and never say about their profits. Truly speaking, it is high profit and not the high wages which increase the price. Smith writes, "In raising the price of commodities the rise of wages operates in the same manner as simple interest does in the accumulation of debt. The rise of profit operates like compound interest... They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people".  

The clash of interest between the capitalist and labour is all the more remarkable when one's share reduces the portion of the other. They are inversely related - wages rise profits fall and vice versa.

There is once again a clash of interest between the capitalists and the rest of the society. "The interest of the dealers, " writes Adam Smith, " however, in any particular branch of trade of manufactures, is always in some respects different from, and even opposite to, that of the public. To widen the market and to narrow the competition". The first motive - to widen the market may be harmonious with that of the society, but narrowing the competition is always injurious

1. Wealth of Nations, p. 79.  
2. Ibid., p. 98.  
3. Ibid., p. 250.
to that of the public. Smith writes, that it, "can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit an absurd tax upon the rest of their fellow citizens". Their combinations also end in a conspiracy against the public in the shape of high prices. Whenever the law also ensures them and confirm their monopoly in certain trade the small capitalist is eliminated and, "In every different branch, the oppression of the poor must establish the monopoly of the rich, who, by engrossing the whole trade to themselves, will be able to make very large profits".

Smith's sentence that the landlords "love to reap where they have never sowed, and demand a rent even for its natural produce", has been quoted as a flow in the system and the reader may infer a clash of interest between the landlords and the labourers or the capitalists. The landlords do not contribute anything for the product and still demand a rent even for the wood of the forest, the grass of the field and all the natural fruits of the earth. Smith has quoted many instances of this unearned reward. For example, "kelp is a species of sea-weed, which, when burnt, yields an alkaline salt useful for making glass, soap, and for several other purposes... The landlords, however, whose estate is bounded by a Kelp shore of this kind, demands a rent for it as much as his corn fields".

1. Ibid., p. 250  
2. Ibid., p. 95.  
3. Ibid., p. 49.  
4. Ibid., p. 145
Similarly, "The sea in the neighbourhood of the island of shelland is more than commonly abundant in fish, which make a great part of the subsistence of their inhabitants. But in order to profit by the produce of the water, they must have a habitat upon the neighbouring land. The rent of the landlord is in proportion, not to what the farmer can make both by the land and by the water".\(^1\)

One should however, keep in mind that the above sentences cannot be quoted as a phenomena of class-conflict. The natural fruits of the earth, when owned by somebody becomes one's private property. Here the landlord is the owner of the land and therefore, charges monopoly price. Smith writes about rent thus, "The rent of land, therefore, considered as the price paid for the use of the land, is actually a monopoly price. It is not at all proportioned to what the landlord may have laid out upon the improvement of the land or to what he can afford to take; but to what the farmer can afford to give".\(^2\)

Smith has proved that the interest of the landlords and that of the rest of the classes coincide and does not conflict. Rent is higher in the prosperous countries and the lowest in the backward countries.

One can however, see that Smith was not very much happy with the landlord class and his rent. He remarks that, "They are the only one of the three orders whose revenue costs them neither labour nor care, but comes to them, as it were, of its

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1. Ibid., p. 145.  
2. Ibid., p. 145.
own accord, and independent at any plan or project of their own. Moreover, "Rent, considered as the price paid for the use of land, is naturally the highest which the tenant can afford to pay in the actual circumstances of the land." The landlord while renewing the lease, increases the amount of rent and leave smaller share to the farmer. Therefore, "This is evidently the smallest share with which the tenant can content himself without being a loser, and landlord seldom means to leave him any more."

Besides these instances for the phenomenon of class-conflict, a number of passages can also be quoted from the Wealth of Nations. The most important sentences are as follows: while discussing the high rate of interest Smith remarks, "At the profits which can afford such an interest must eat-up almost the whole rent of the landlord, so no enormous usuary must in its turn eat-up the greater part of those profits" And again when the discusses about profit, "The highest ordinary rate of profit may be such as, in the price of the greater part of commodities, eats-up the whole of what should go to the rent of the land... The workman must always have been fed in some way or other while he was about to work; but the landlord may not always been paid". These instances may be supported for a

1. Ibid., p. 249
2. Ibid., p. 144
3. Ibid., p. 144
4. Ibid., p. 94
5. Ibid., p. 97.
conflict between the two proprietor classes - The landlords and the capitalists. Similarly, these two proprietor classes may exploit the labourers when Smith writes, "rent and profit eat-up wages, and the two superior orders of people oppresses the inferior one".¹

In the end we can say that Smith's Theory of Moral Sentiments is a complete work for class-harmony, whereas the Wealth of Nations succeeded partially to maintain it. In the Wealth of Nations the system could not work smoothly. Perfect competition, for example, could not work due to the ignoble tactics of the capitalist class. Again, self-interest led both the classes of the capitalists and the workers to combine for their respective gains. Thus, Smith's system show a conflict between the capitalists and the labourers. W. Stark remarks, "But - alas! - realism and idealism for long go hand in hand. The industrial revolution changed the outlook ... The market far from being the meeting place for harmonizing individuals, had become the battle ground of hostile classes".²

Smith, like a wise spectator, of the facts could see the weaker bargaining power of the workers. Masters being few combined whereas, the labourers scattered, divided and large in number could not easily combine. Moreover, their daily needs

¹ Ibid., p. 532.
forced them to agree with the terms and conditions of the masters. The labourers have been reduced to be a cog in the machine with no independent voice in the society. Smith, therefore, had all sympathies with the labour class; because if the majority is not happy, the society cannot be said to be flourishing. We should however, note as C.R. Fay has pointed out, "In Adam Smith's days the struggle between capital and labour was young".¹

Again, though Adam Smith tried to harmonise the interests of the landlords with that of the rest of society, yet, he traced a conflict between the two proprietor classes - the capitalist and the landlords. His language towards the peculiar position of the landlords is critical.

The father of Economic science, therefore, becomes the first economist to trace the instances of class-conflict. His system inspired Ricardo to condemn the services of the landlord class and to narrate a class-conflict between the two proprietor classes. Incidentally, Marx also saw the seeds of his theory of 'surplus-value' in his system. Though, Smith does not consider capitalist class as a parasite, yet his word 'deduction' used for profits must have been sufficient to Marx to condemn this appropriation by the capitalist class.

CHAPTER III

DAVID RICARDO
If Adam Smith was the founder of the classical thought, Ricardo may be crowned as its defender. The partial harmony of Adam Smith in the interests of different classes encouraged the disciple Ricardo to discuss it fully. The phenomena of class-conflict can very clearly be read from his 'Principles' and correspondence with this contemporary thinker Paul M. Sweezy comments, "The classical economists were also very much interested in the economic roots of class conflicts - in a sense this is exactly what 'the distribution of the produce of the earth' meant to Ricardo".1

Ricardo concentrated his mind to the distribution problem instead of production and pointed out to Malthus that the former inquiry is most important. Ricardo says, "Political Economy you think is an inquiry into the nature and causes of wealth - I think it should rather be called an enquiry into the laws which determine the division of the produce of industry

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Karl Marx also writes "Ricardo discovers and proclaims the economic contradictions between the classes - as shown by the intrinsic relations - and hence the historical struggle and process of development is grasped at its roots and disclosed in economic science. Carey, therefore denounces him as the father of communism." (Theories of Surplus value, translated from the German by G.A. Bonnar and Emile Burns) Lawrence & Wishart, London, 1951, p. 204.
amongst the classes who concur in its formation... Everyday
I am more satisfied that the former enquiry is vain and
delusive and the latter only the true objects of the science".
He was concerned with the progress of a capitalist country and
the distribution of wealth along with the progress. In a letter
to Malthus, he says "I wish much to see a regular and connected
statement of your opinions on what I deem the most difficult, and
perhaps the most important topic of political economy, namely
the progress of country in wealth and the laws by which the
increasing produce is distributed." There are three classes
in his system i.e., the landlords, capitalists and the labour
class in the produce is divided. In the preface of his
Principles he writes, "The produce of earth - all that is
derived from its surface by the united application of labour,
machinery, and capital, is divided among three classes of the
community; namely, the Proprietor of the land, the owner of the
stock or capital necessary for its cultivation, and the
labourers by whose industry it is cultivated."

1. Ricardo to Malthus(The Works And Correspondence of David
Ricardo, Edited by Piero Sraffa with the collaboration of
M.H.Dobb, Cambridge,(At the University Press for the Royal
to as works of David Ricardo).
Also elsewhere he writes, "Mr. Malthus and I continue to differ
in our views of the Principles of Rent, Profit and Wages.
These Principles are so linked and connected with everything
belonging to the science of political economy that I
consider the just view of them as of the first importance."
(In a letter dated October 29,1815 to Trower Vol. VI,pp.315-16

lamented that Ricardo has done great harm to the science of
Political Economy by shifting the emphasis from the nature
and causes of the wealth of nations which should be the main
focus of attention in the study of growth, to the causes
...conti..
Out of these three classes only two are productive namely, the capitalist and the labour class. He cleared this point and wrote, "In his (J.B.Say) productive services he includes the services rendered by land, capital, and labour; in mine I include only capital and labour, and wholly exclude land." Land has been excluded because it serves 'generously and gratuitously'. Hence cost of production consists with wages and profit. Rent does not include in price for it is not price determining but price determined. "Corn is not high because a rent is paid, but a rent is paid because corn is high ..."  

While discussing the relative shares of the factors of production from the produce Ricardo found a conflict of interests. This conflict is found for a temporary period between labourers and capitalists in the introduction of determining the distribution of wealth. For instance, John H. Williams in his Presidential address to the American Economic Association suggested that Ricardo shifted the bogey of Economics from the track of economic growth to that of the narrow problem of distribution of national income among the classes of society (Cf. American Economic Review, March 1952, pp. 4-5) These remarks are unfounded because Ricardo was not concerned with the narrow question of distribution of wealth in a static society. Moreover, the changed circumstances of England and contemporary events required this change. (Refer to Frank Knight, "The Ricardian Theory of Production and Distribution" Canadian Journal of Economics and Political Science, May 1935, p. 17.)

1. Ibid., pp. 283-84.
2. Ibid., p. 74.
machinery, and again between two proprietor classes - landlord and capitalist. It has become a controversial point amongst the authorities whether Ricardo was concerned with the conflict of Labour and capitalist, or between the two proprietor classes, Marx, for example writes "in the preface, "Let us take England Its Political Economy belongs to the period in which the class-struggle was as yet undeveloped. Its last great representative, Ricardo, in the end, consciously makes the antagonism of class -interests of wages and profits of profits and rent, the starting point of his investigations, naively taking this antagonism for a social law of Nature". On the other hand, Mohammad Shabbir Khan, contradicts that, "it existed only between the propertied classes and not between the propertied and the propertless classes". Sweezy, one of the most important Marxist, has clearly argued that Ricardo was concerned with the conflict between the capitalists and the landlords though he does not clearly specify the implications.

1. Preface to the Second German Edition, Capital, A Critical Analysis - Capitalist Production, Vol. I (Foreign Language Publishing House, Moscow 1954) p. 14, also Professor Keynes tells of the late Professor Foxwell that he once declined to deliver a presidential address to the Royal Economic Society about Ricardo on the ground that, "his onslaught on the author of the dreadful heresy of a conflict of interest between capital and labour would have been too provocative" (Quoted by Maurice Dobb " of Political Theory and Socialism, Collected Papers, London, Routledge & Paul Ltd.,(1955) p. 93(fn).

2. Ricardo's Theory of Distribution, Faculty of Arts Publication Series -4, Muslim University, Aligarh(India)1960,p.100.
of his statement in that it is a conflict between the two
monied classes and not between the 'haves' and the 'have-nots'.
He says, "but social antagonism which occupied most of their
attention, both intellectual and emotional was the conflict
between industrial capitalist and landlords".\(^1\) Let us analyse
their viewpoints to reach to the true position.

Marx, Engels and other argue that Ricardo advocated
for labour theory of value. For example Marx writes, "The
foundation, the starting point for the physiology of the
bourgeois system - for the understanding of its internal
organic coherence and life process - is the determination of
value by labour time. Ricardo starts with this and compels
science to leave its old beaten track"\(^2\) For the measure of
value labour always meant to him as labour hours necessary to
produce a commodity and not the wages paid to the labourers.
He writes, "The value of a commodity, or the quantity of any
other commodity for which it will exchange, depends on the
relative quantity of labour which is necessary for its production

\(^1\) The Theory of Capitalist Development: Principles of Marxian
Similar views have been expressed by James Bonar, Philosophy
and Political Economy: In some of their Historical
Relations, London George Allen and Unwin Ltd. (1927), p. 339,
also A.P. Lerner, "From Vulgar Political Economy to Valgar

\(^2\) Theories of Surplus-value, p. 203.
and not on the greater or less compensation which is paid for that labour". 1 Thus, it appears to Karl Marx that Ricardo was aware of the surplus value. 2 The labour is not paid the full worth which he creates. He is paid according to the cost of production principle of labourer i.e., equal to his subsistence means to upkeep himself and foster his race. Thus a surplus is created that is: Production equal to labour hours (by labour) - wages paid = surplus value created by labour. This surplus produce is appropriated by the capitalist. Ricardo writes to Malthus, that the increase in the productive power of labour will not in the least increase the wages of the labourers but, "This increase would be exclusively enjoyed by the owner of the stock". 3 Thus "It is very seldom that the whole additional produce attained with the same quantity of labour falls to the lot of the labourers who produce it". 4

Having discussed his theory of value Ricardo proceeds to the discussion of the distribution between wage and profit.

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1. Works of David Ricardo, Vol.I, p.11 (Also: In a letter to J.B. Say he writes, "I do not say that it is the value of labour which regulates the value of commodities, for that is an opinion I do all in my power to overthrow; but I say that it is the comparative quantity of labour necessary to the production of commodities, which regulates their relative value" (Works of David Ricardo, Vol.VIII, p.149).
2. Karl Marx writes "Ricardo starts from the actual fact of capitalist production. The value of labour is smaller than the value of the product which it creates. The value of the product is therefore greater than the value of labour which produces it or the value of the wages. The excess of the value of the product over the value of the wages is equal to the surplus value. Ricardo says wrongly the profit but do previously noted he here identifies profit with surplus value and is in fact speaking of the latter"(Theories of Surplus Value, p.107).
His whole system proves the inverse relation between wages and profits. With the progress of the economy profits have a tendency to fall and wages to rise. Ricardo deemed wages as payment from profits. He wrote to Malthus, "The wages themselves may be considered as part of the profits of stock." Therefore, the proportion which might be paid for wages, is of the utmost importance in the question of profits; for it must at once be seen, that profits would be high or low exactly in proportion as wages were low or high. He wrote to McCulloch "The greater the portion of the result of labour that is given to the labourer, the smaller must be the rate of profit, and vice versa." Thus, "If the corn is to be divided between the farmer and the labour, the larger the proportion that is given to the latter, the less will remain for the farmer. So if cloth or cotton goods be divided between the workmen and the employer, the larger the proportion given to the farmer, the less remains for the latter." Ricardo, therefore, infers that profits in fact depends on high or low wages, and on nothing else.

The clash of interest between labourer and capitalist is all the more important in the use of machinery. He writes to McCulloch, "In the case of machinery the interests of master and workmen are frequently opposed." The capitalists

1. Ibid., Vol. VI, p. 147.  
2. Ibid., Vol. I, p. 27.  
3. Ibid., Vol. VIII, p. 194.  
4. Ibid., Vol. I, p. 35.  
5. Ibid., Vol. IX, p. 194.
find out a way to check the diminishing rate of profit in the labour saving machines, "Economy in the use of labour never fails to reduce the relative value of the commodity, whether the saving be in the labour necessary to manufacture of the commodity, itself, or in that necessary to the formation of the capital, by the aid of which it is produced". ¹ F.A. Hayek regards it, "The familiar Ricardian proposition that a rise in wages will encourage capitalist to substitute machinery for labour".² With the aid of machinery the productive power of labour increases and hence the surplus product. Profits are augmented.

The substitution of machine for labour creates imbalance between demand for and supply of labour. More and more labour become redundant and hence thrown on to the street. Ricardo writes, "but I am convinced, that the substitution of machinery for human labour, is often very injurious to the interests of the class of labourers".³ He clarifies that the demand for labour depends upon circulating and not on the fixed capital. In this connection he quotes Barton who wrote "The demand for labour depends on the increasing of circulating and not of fixed capital. Were it true that the proportion between these two sorts of capital is the same at all times, and in all countries, then, indeed, it follows

that the number of labourers employed is in proportion to the Wealth of the State. But such a position has not the semblance of probability. As arts are cultivated, and civilization is extended fixed capital bears a larger and larger proportion to circulating capital". Barton supports his argument with the comparison of British muslin and that of India, where fixed capital is greater in the former and circulating in the latter. He thus arrives, "It is easy to conceive that under certain circumstances, the whole of the annual savings of an industrious people might be added to fixed capital, in which case they would have no effect in increasing the demand for labour".  

He thought the truth as that of the truths of geometry and regretted that as why he could not see them so far. Thus, every increase of the fixed capital adds to the problem of unemployment. Ricardo writes "the opinion entertained by the labouring class, that the employment of machinery is frequently detrimental to their interest, is not founded on prejudice and error, but is conformable to the correct principles of political economy". 

Sraffa terms this view, "The most revolutionary change in edition 3 is the new chapter on Machinery, in which Ricardo retracts his previous opinion that the introduction of


machinery is beneficial to all the different classes of society". Marx considers as, "one of the greatest merits of Ricardo to have seen in machinery not only the means of producing commodities, but of creating a 'redundant population'. And Sweezy summarises, "There Ricardo established by a somewhat clumsy but logically watertight argument that labour saving machinery 'set free' workers without setting free 'variable capital for their employment depends primarily on additional accumulation. Though Ricardo did not say so, it is consistent with the reasoning to assume that the rate of displacement exceeds the rate of reabsorption as a result of new accumulations".

Let us now test whether the above line of thinking is in line with that of Ricardo's own thinking and spirit, and whether there really existed a clash of interests between the capitalists and the labourers. We will first examine the clash of interest due to the introduction of machinery.

Economists do not agree with those who argue that Ricardo emphasised the introduction of machinery is always injurious to the interests of the labourers. Professor Mohammad Shabbir Khan for example writes, "nowhere else has Marx greatly misunderstood Ricardo than at this point". Ricardo was in fact visualising a possibility which arose in the short run where the sudden introduction of machinery could be

harmful to the labourers. He himself has said, "All I wish to prove is, that the discovery and use of machinery may be attended with a diminution of gross produce; and whenever that is the case it will be injurious to the labouring class, as some of their number will be thrown out of employment, and population will become redundant, compared with the funds which are to emply it".1

And to prove that he took a "strong case" in which the improved machinery was suddenly discovered and used in the same branch where the old method was being followed. And that led him to believe that the cases are possible in which the introduction of machinery lead not only to the production of commodities but also to the redundant population: He says "To elucidate the principle, I have been supposing, that improved machinery is suddenly discovered, and extensively used, but the truth is, that these discoveries are gradual and rather operate in determining the employment of the capital which is saved and accumulated, than in diverting capital from its actual employment".2

Above all we may note that whereas Ricardian analysis in its general structure is concerned with the long run

2. Ibid., p. 395.
tendencies,¹ in the particular example which he laid down
he thought of only the immediate effect—and that obviously
was the displacement of labour. But that was not the condition
of equilibrium—rather it was its disturbance. The condition
of equilibrium which can be compared with the original one
is where the adjustments to this disturbance have taken place.
And for that situation Ricardo points out, "I have before
observed, too, that the increase of net incomes estimated in
commodities which is always the consequence of improved
machinery, will lead to new savings and accumulations. These
savings, it must be remembered are annual, and must soon create
a fund, much greater than the gross revenue, originally lost
by the discovery of the machine, when the demand for labour
will be as great as before, and the situation of the people
will be still further improved by the increased savings which
the increased net revenue will still enable them to make".²

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1. Ricardo writes to Malthus, "It appears to me that one great
cause of our difference in opinion .. is that you have
always in your mind the immediate and temporary effects of
particular changes—whereas I put these immediate and tempo-
rary effects quite aside, and fix my whole attention on the
permanent state of things which will result from them.
Perhaps you estimate these temporary effects too highly,
whilst I am too much disposed to under value them". (Works
of David Ricardo, Vol. VII, p. 120.)

2. Ibid., Vol I, p. 396. The Marxists here will prove to
support Marx's position by quoting from Ricardo's letter to
McCulloch when on the latter's contention that he "will take
my (his) stand with -- the Mr. Ricardo of the first not of
Ricardo replies "... I have said that when a manufacturer is
in possession of a circulating capital he can employ with it
a greater number of men, and if it should suit his purposes
to substitute the fixed capital of an equal value for this
cont...
This shows that Marx did not pay any attention to the modifying position from the ‘possible strong case’ elaborated by Ricardo to show the result of the introduction of machinery. "It is surprising to note" writes Professor Khan, "that Marx did not attribute the so-called compensatory effect to Ricardo which the latter was so careful to point out and which arose as a result of the increased savings due to the cheapening of the commodities produced with the help of machinery".  

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Continuing,

circulating capital, it will be inevitably followed by a necessity for dismissing a part of his workmen, for a fixed capital cannot employ all the labour which it is calculated to supersede. I confess that these truths appear to me as demonstratable as any of the truths of geometry, and I am only astonished that I should so long have failed to see them" (Ibid., p. 390) But this letter of Ricardo which he wrote to McCulloch does not in anyway contradict the modifying sentence which he has been presented above.

1. Op. cit., p.113. Marx says, "James Mill, McCulloch, Torrens Senior, John Stuart Mill, and a whole series besides of bourgeois political economists, insist that all machinery that displaces workmen, simultaneously and necessarily sets free an amount of capital adequate to employ the same identical workmen" (Capital, Vol. I, p. 438) and adds a footnote "Ricardo originally was also of this opinion, but afterwards expressly disclaimed it, with the scientific impartiality and love of truth characteristic of him. See I.C., Ch. XXXI 'On Machinery (Ibid., p. 438f). It is surprising to note that in the same chapter of Machinery a para in Ricardo occurs which says that the extra saving due to the cheaper cheapening of commodities will re-employ the displaced labourers."
Thus the introduction of machinery is supposed to be injurious to the labouring class only in the short run and its usefulness in the long run, which is essentially Ricardian problem, has hardly been doubted. We do not thus agree with Marx and Sraffa. It may, therefore, be concluded that although the introduction of the chapter on Machinery surely meant a change in Ricardian thinking, it was not at all revolutionary.

Let us now critically examine the validity of the argument that wages were the pivotal point for Ricardo's distribution theory. These arguments are based on the misconception of the Ricardo's theory of distribution. If we analyse Ricardo's profit theory we will see that rent was the main concerned for Ricardo to understand the theory of profit. The theory of profit was incomplete without the integration of the theory of rent in the structure. Ricardo when he says, "In treating on the subject of the profits of capital it is necessary to consider the principle which regulate the rise and fall of rent; as rent and profits, it will be seen, have a very intimate connection with each other".

If we read the evolution of Ricardian thinking we see that all the published works of Ricardo - whether in the form of pamphlets or letters - before August 1813 were concerned with the problems related to currency only. In August 1813, we find

1. Refer, Mohammad Shabbir Khan, op.cit., p. 41.
for the first time Ricardo writing to Malthus about the theory
of profit. This problem was faced by Ricardo in the form in
which it persisted throughout his later writings on pure theory
of economics - why the rate of profits falls down through
time along with the process of accumulation, and whether it is
possible by one measure or the other to check the fall in rate
From the very beginning Ricardo was convinced that the
expansion of foreign trade would not elevate the rate of profits.
This is a negative statement indeed, and it was necessary for
Ricardo to put forward some positive statement so the theory
could explain the real cause of the determination of the
rate of profits and suggest whether something could be done
about the falling tendency of profits. This did not take
much time and in a letter dated as early as August 17, 1813
he writes to Malthus "I have little doubt however, that for a
long period, during the interval you mention, there has been an
increased rate of profits, but it has been accompanied with such
decided improvements of agriculture both here and abroad -
for the French revolution was exceedingly favourable to the
increased production of food, that it is perfectly reconcilable
to my theory. My conclusion is that there has been a rapid
increase of capital which has been prevented from showing
itself in a low rate of interest by new facilities in the
production of food." 2 This shows clearly that for Ricardo

the difficulty of the production of food appears to be the reason for the falling tendency of the rate of profit.

From a perusal of the letters written in the beginning of 1814; it appears that Ricardo has written some papers on profits of capital, which he had shown to Malthus Trower, and Mill (Cf. Trower's letter to Ricardo, dated March 2, 1814). Unfortunately these papers have not survived and it is difficult to guess what ideas Ricardo might have elaborated in them. But happily the central theme of the papers has been summarised by Ricardo in his letter to Trower dated March 8, 1814 where the former says to the latter, "Interest rises only when the means of employment for capital bears a greater proportion than before to the capital itself, and falls when the capital bears a greater proportion to the arena, as Mr. Malthus has called it; for its employment. On these points I believe we are all

1. Ibid., p. 102.

2. It is interesting to note that Sraffa in his note of An Essay on Profit contends that these papers, as it appears to him from the letter to Trower on March 8, 1814 contain the fully developed Ricardian theory of profit. He says, "the theory of profit, which was to appear in the pamphlet of the following year, was already fully developed," Works of David Ricardo, Vol. IV, p. 3. However, the theory of profit which Ricardo elaborated in his pamphlet later on contains his elaborated theory of rent as an integral part and it is improper to say that the summary which does not even mention rent contains the fully developed theory of profit.
agreed, but I contend that the arena for the employment of new capital cannot increase in any country in the same or greater proportion than the capital itself, unless there be improvements in husbandry, or new facilities be offered for the introduction of food from foreign countries - that in short it is the profits of the farmer which regulate the profits of all other trades - and as the profits of the farmer must necessarily decrease with every augmentation of capital employed on the land, provided no improvements be at the same time made in husbandry, all other profits must diminish and therefore the rate of interest must fall". ¹ This shows that Ricardo from the very beginning considered the law of diminishing returns in agriculture as the foundation-stone of his theory of profits, and that the effects at checking the operation of this law, whatever the form they might take, would be acting as a countervailing agency for the fall of rate of profits. Subsequently in a letter on June 26, 1814, he writes to Malhuis "The rate of profits and the interest must depend on the proportion of production to the consumption necessary to such production, this again essentially depends upon the cheapness of provisions, which is after all, whatever

intervals we may be willing to allow, the greater regulator of the wages of labour". This statement makes it obvious that Ricardo was quite sure that the profits were intimately related to wages of labour. And since the rise in the price of food along with the process of accumulation and the consequent operation of the law of diminishing returns the wages were to increase, the profits were bound to diminish. But after all why must the wages increase with the rise in the price of food was not quite clear to Ricardo. There was a theoretical possibility of the capitalists pushing down the real wage rate whenever there was a rise in the price of food and maintain the rate of profits. Thus Professor Khan writes, "It was necessary for Ricardo to clearly indicate that there was some theoretical justification for the capitalists inability to do so". This deficiency, we would note, he made up only when he wrote the 'Principles of Political Economy and Taxation'.

While tracing the evolution of Ricardo's thinking it is very interesting to note that Ricardo during this period was not very clear on the proposition which he later on laid down, that every rise in wages would lead to a fall in profit and vice-versa. While controveting with Malthus in one of his letters he writes to him "It appears to me that the difficulty and expense of procuring corn will necessarily regulate the demand for the products of capital, for, the demand must essentially depend on the price at which they can be afforded, and the prices of all commodities must

increase if the price of corn be increased". Now if this proposition is correct then there is no essential reason why with the rise in the price of corn the profits must fall; because if the rise in the price of corn leads to an increase in wage then it will also simultaneously leads to the rise in the prices of other commodities and therefore profits need not diminish. Sraffa here points out the possible explanation when he says, "In the Principles however, with the adoption of a general theory of value, it became possible for Ricardo to demonstrate the determination of the rate of profit in society as a whole instead of through the microcosm of one special branch of production". However," writes Professor Khan, "Sraffa's efforts to remove Ricardo's difficulty are only partially right because this position would be quite justified as long as it assumed that the profits in agriculture always determine the profits elsewhere". But difficulty will certainly arise if profits are determined by profits in manufacture. Ricardo has himself admitted it. He writes to

1. Ibid., P. 114 (underlined added).

2. Ibid., Vol. I, p. xxxii. This in fact means that before the writing of his Principles Ricardo used to consider the determination of profits through the microcosm of one special branch of production i.e. agriculture.

Malthus, "I thought you maintained that the high or low
profits on commerce were totally independent of the amount of
capital which might be employed on the land; consequently that
high profits might continue as long as commerce was prosperous,
whether that was for 20 or for 100 years. I now understand
you to say, that the profits of commerce may take the lead,
and may regulate the profits of agriculture for a period of
some duration, possibly for 20 years.

I have always allowed that under certain circumstances
profits on agriculture might be divered from their regular
course for short periods, so that we only appear to differ
with respect to the duration of such profits; instead of 20
years I should limit it to about 4 or 5". When pressed by
Malthus in his controversy during this time to the effect
that it was the supply of and demand for capital and not
the difficulty of the production of corn which was responsible
for the falling tendency of the rate of profits, Ricardo
argued that he considered the wants and tastes of mankind as
unlimited (indicating his faith in the Say's law of market)
and that it was only the state of cultivation of land that
was the permanent cause of the fall in profits (vide letter to
Malthus dated 16, September 1814).  

2. Ibid., pp. 133-135.
From a perusal of subsequent Ricardo - Malthus controversy it is obvious that Ricardo does not mention the theory of rent. After the publication of Malthus's 'An Inquiry into the Nature and Progress of Rent and the Principles by which it is Regulated' Ricardo in his letter of February 6, 1815 writes to Malthus, "I have now read with very great attention your essay on the rise and progress of rent, with a view of selecting every passage which might afford us subject for future discussion. It is no praise to say that all the leading principles in it meet with my perfect assent, and that I consider it as containing many original views, which are not only important as connected with rent, but with many other difficult; points, such as taxation and ca & ca".1 Sraffa therefore infers, "when in February 1815 Malthus' pamphlets appeared, Ricardo was able to write within a few days his Essays on the influence of a Low Price of Corn on the Profits of Stock, by using his already developed theory of profits, incorporating Malthus' theory of rent, and adding a refutation of the protectionist arguments put forward by Malthus in his Grounds of an Opinion. It was published about 24th February, 1815".2 But Sraffa appears to be wrong because Ricardo raises two very important objections to the explanation. First, he does not agree with his contention that the improvements in

1. Ibid., p. 172.
agriculture are immediately beneficial to the landlords because he thinks that they benefit the farmers by obtaining the same quantity of produce with less labour and diminishing rent. Secondly, rents are not supposed by Ricardo to be due to the creation of wealth; they are rather due to wealth already created.

"Actually Ricardo's theory of profits without his theory of rent lacks one of the pillars on which the whole structure has been constructed". Obviously, Ricardo was aware of the law of diminishing returns; but having propounded his theory of profit on the basis of diminishing returns in agriculture a very pertinent question could be asked: What happens to the greater produce than that of the marginal plot of land which is produced on the earlier plots of land or due to earlier doses of labour and capital on the same land? And if the greater produce on the earlier plots of land or due to earlier doses of labour and capital could not be disposed of somehow then there would have been different profits on the different plots of land. And if agriculture, in general, determines the rate of profits elsewhere which rate of profits would have been the determining one. Only by incorporating the theory of rent with the theory of profit, it would be proved that the rate of profits on all plots of land was equal because whatever surplus there was on the earlier plots of land or due to earlier doses of labour and capital must have been paid in the form of rent. Therefore, it was only
by incorporating the theory of rent with the theory of profits that Ricardo could really explain the phenomenon of profits. Sraffa is very sure of what he says. He further remarks: "Indeed, the theory of profits presented in the pamphlet adds little to what was already contained in his letters of 1813 and 1814, before his attention has been directed to the connection between rent and profit". And here he adds a note from Patten where the latter says: "The law of rent came into Ricardo's system, not as a basis, but as a better proof of a theory already developed". It seems that the statement of Patten does not fully support Sraffa's contention that the theory of profits presented in the pamphlet adds little to what was already contained in his letters of 1813-14. Indeed the theory of rent was not the basis, yet it was an essential part of the theory of profits.

It can, therefore be inferred that Ricardo's pamphlet, An Essay on Profits, which was published on February 24, 1815, indicates a definite development in Ricardian thinking. It provides the necessary link in the development of his theory of profit by incorporating the

2. Ibid., p. 8 fn.
theory of rent. ¹

By incorporating the theory of rent with his preliminary ideas on the theory of profit Ricardo is in a position to lay down a comprehensive theory of profits. It now appears to him that the profits at the stock fall down because of the difficulty of production of corn leading to the rise in the wages of labour. He however, argues that even if the rise in wages does not take place along with the process of accumulation still the profits will fall because more and more labourers will

1. The fact that Ricardo's theory of rent was necessary for the development of his theory of profit can be clearly seen from the following statements from Ricardo's Essays on Profits:

(i) "On the land first cultivated, the return would be the same as before, namely, fifty per cent, or one hundred quarters of wheat; but, the general profits of stock being regulated by the profits made on the least profitable employment of capital on agriculture, a division of the one hundred quarters would take place, forty-three per cent or eighty six quarters would constitute the profit of stock and seven per cent or fourteen quarters, would constitute rent" Works of David Ricardo, Vol.IV, p.13.

(ii) "Thus by bringing successively land of a worse quality, or less favourably situated into cultivation, rent would rise on the land previously cultivated, and precisely in the same degree would profits fall; and if the smallness of profits do not check accumulation, there are hardly any limits to the rise of rent, and the fall of profit". (Ibid., p. 14).

(iii) "The general profits of stock depend wholly on the profits of the last-portion of capital employed on the land; if, therefore, landlords have to relinquish the whole of their rents they would neither raise the general profits of stock, nor lower the price of corn to the consumer. It would have no other effect, as Mr. Malthus has observed, than to enable those farmers, whose lands now pay a rent, to live like gentlemen, and they would have to expend that portion of the general revenue, which now falls to the share of the landlord" (Ibid., pp.21-22). conti..
be employed for the production of corn while the value of the produce would continue to be the same he says, "Profits of stock fall only, because land equally well adapted to produce food cannot be procured; and the degree of the fall of profits and the rise of rents, depends wholly on the increased expense of production".

It, therefore, in the progress of countries in wealth and population, new portions of fertile land could be added to such countries, with every increase of capital, profits would never fall, nor rents rise.

If the money price of corn, and the wages of labour, did not vary in price in the least degree, during the progress of the country in wealth and population, still profits would fall and rents would rise; because more labourers would be employed on the more distant or less fertile land, in order to obtain the same supply of raw produce; and therefore the cost of production would have increased, whilst the value of the produce continued the same.¹

It is very interesting to note that at this stage Ricardo is confused and states two aspects of the same fact as two

The following statement from Ricardo shows how his theory was different from that of Malthus. "Mr. Malthus considers, that the surplus of produce obtained in consequence of diminished wages, or of improvements in agriculture, to be one of the causes to raise rent. To me it appears that it will only augment profits" Ibid., p.11(fn).

¹. Ibid., p. 18.
different facts, "Had his thinking at this stage been clear Ricardo should have realised that the price of corn increased only because more labourers were employed for the production of corn along with the process of accumulation; and the rise in the price of corn was bound to lead to a rise in money wages. "¹ Thus the alleged two causes viz., rise of wages of labour, and more labourers being employed for the production of corn, are only one cause. The error has been committed by Ricardo because he was not clear as to why must the capitalists pay some minimum real wages so that the money wages could increase when the price of food increased. For this purpose Ricardo should have propounded some theory of wages in consequences with the theory of price, which would compel the capitalists to pay some minimum wages to the labourers. This deficiency is made up by Ricardo with writing his Principles of Political Economy and Taxation which really speaking is a modified form of An Essay on Profits.

Ricardo was enthusiastic about writing the theory of value to present a theory of wages which would compel the capitalist not to let the real wages diminish below a certain minimum and which should also be in consonance with the theory of value. This can be substantiated thus: In the opening

¹ Mohammad Shabir Khan, *cit.*, p. 28.
paragraph at the chapter on wages in the 'Principles of Political Economy and Taxation' Ricardo makes his theory of wages just an application of his theory of value to the special problems of labour when he says "Labour, like all other things which are purchased and sold and which may be increased or diminished in quantity, has its natural and its market price. The natural price of labour is that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution". ¹ This is obviously the cost of production theory of wages which lays down that the natural price of labour would be what is necessary for the labourers to subsist and reproduce themselves. But this cost of production is the real cost of production which depends not on the account of money received by the labourers but the wage goods which are necessary for the labourers according to their existing habits. Ricardo says, "The power of labourers to support himself, and the family which may be necessary to keep up the number of labourers, does not depend on the quantity of money which he may receive for wages, but on the quantity of food, necessaries, and conveniences become essential to him from habit, which that money will purchase. The natural price of labour, therefore, depends on the price of the food, necessaries

and conveniences required for the support of the labourer, and his family. With a rise in the price of food and necessaries the natural price of labour will rise; with the fall in their price, the natural price of labour will fall.¹

Now the point which has to be carefully noted is that the price of labour has been considered as an independent entity. Labour is supposed to have natural and market price just as any other commodity which is purchased and sold and which can be increased and diminished in quantity. So the same rule which applies to the determination of the price of labour is also applicable in the determination of the price of any other commodity. To be more specific there should have been a theory of value which could be as much applicable to the determination of the price of all other commodities as that of labour. Ricardo advocates a cost of production theory of value. Professor Mohammad Shabbir Khan writes "It may be pointed out that this theory even in its most simplified version is not an analytical labour theory of value. The best that can be said about it is that Ricardo it presented an empirical labour theory of value in which labour appeared to him the sole element of the cost of production of the commodities."²

¹. Ibid., p. 93.
². Op. cit., p. 32: There are quite a few passages in 'Notes on Malthus' Principles of Political Economy which prove that...cont.
It is, therefore, obvious that there is no clash of interest between the labourers and the capitalists because wage rise simply because the price of corn, and hence the rent too has risen. Thus Maurice Dobb quotes "It was indeed, Ricardo's theory, in it the rate of profits was uniquely determined by the ratio of corn produced at the margin of agriculture (the wage-good industry) to corn consumed by labourers as subsistence. Prices in non-wage-goods industry

Ricardo believed in the cost of production theory of value. For instance he says: "The real value of a commodity I think means the same thing as its cost of production, and the relative cost of production of two commodities is nearly in proportion to the quantity of labour from first to last respectively bestowed upon them." (Works of David Ricardo, Vol. II, p. 35).

Similarly he says: "Mr. Malthus mistakes the question - I do not say that the value of a commodity will always conform to its natural price without an additional supply but I say that the cost of production regulates the supply and therefore regulates the price" (Ibid., pp. 48-49).

The following statements may also be added to show that Ricardo's theory was cost of production theory of value "But what is meant by a quantity of labour, being the cost of a commodity? - By cost is always meant the expense of production estimated in some commodity, which has value, and it always includes profits of stock" (Ibid., p. 79).

"Naturally price is another name for cost of production - while a commodity will sell in the market for its natural price or above it, it will be supplied, the cost of production therefore regulates its supply. Mr. Malthus says the demand accompanied to the supply regulates price, and the cost of producing the commodity regulates the supply. This is a dispute about words - whatever regulates the supply regulates the price" (Ibid., pp. 224-25).
being adjusted to the level at which the same rate of profit was earned there is agriculture\(^1\). It is sometimes argued that question of rent is dismissed before the total produce is appropriated between the labourers and the capitalists. Sraffa has aptly pointed out that the arrangement of the chapters in the Principles of Political Economy and Taxation is almost the same as that of in Adam Smith's Wealth of Nations. Then he adds, "The only important difference is in the place given to Rent, which was dictated by the necessity for Ricardo of getting rid of rent" (as he puts it), inorder to simplify the problem of the distribution between capitalist and labourer\(^2\). Otherwise in the whole system of Ricardo rent rises with the advancement of capitalist society, causing a rise in the price of corn and ultimately an augmentation in the wages of labourers. This causes profits to fall and vice-versa. He is however sure, "If the necessaries of the workmen could be constantly increased with the same facility, there could be no permanent alteration in the rate of profits and wages,..."\(^3\). The influence that there was no conflict between the labourer and the capitalist can also be verified from the


\(^3\) Ibid., p. 289.
The table shows that in period I labourers and capitalists combine themselves in the process of production. There is abundance of fertile land so that no price can be charged for its use and hence the question of rent does not arise. The value of total produce in this period comes to £720 which is shared between labourers and the capitalists. Ten workers are employed whose natural money wage rate is £24 per man.

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(which is needed by the labourers to subsist and perpetuate their race), the total wage bill being £240. The rest of the value of the total produce, i.e., £480 goes to the capitalists as profits. It shows that the proportional share of the whole produce falling to profits comes out to .666 and that to wages .333 (rent being nil in this period).

Ricardo has assumed the inherent desire on the part of the capitalists to accumulate and further increase their profits. Therefore the whole of the profits of the first period are not consumed by the capitalists; instead, a major portion of that is accumulated for purposes of investment. This leads to an increased demand for labour the supply of which cannot be increased in the short run. Hence market wage rate increases which enables the labourers to live comfortably, marry and rear children leading to the increase in labouring population from 10 to 20 in period II. The increasing population, however, has to be fed and therefore the production of corn has to be increased. The availability of the fertile and best situated land being limited increased food can be produced by bringing inferior plots of land under cultivation or by applying more doses of labour and capital on the existing plots of land. In both cases the diminishing returns in agriculture would set in and the cost of production of corn would rise leading to the rise in the price of corn. Simultaneously, it would be possible for the landlords to demand extra produce on the superior plots of land and thus an amount of say £42 6/17 would
have to be paid in the form of rent.

On the other hand, since the supply of the labourers has increased to match the required demand the wage rate would again fall down to the subsistence level. But the subsistence can be measured not in terms of money which the labourers get but in terms of quantity of goods required by the labourers. Since the price of corn (a major item of consumption of labourers) has risen due to the difficulty in the production of corn, the money wages per man would have to be increased from £24 to £24 12/17 so that the labourers are in a position to purchase the same amount of goods and services needed for their subsistence as during period I. The total wage bill will, therefore, be £49 2/17 in period II. The total produce of period II being £1482 6/17 the profits which would remain after the payment of rent and wages would be equal to £945 15/17. It shows that the proportion of the whole produce falling to rent profits and wages would be .028, .638 and .333 respectively.

The same process is repeated during periods III, IV and V in which the increased accumulation of capital leads to the increased demand for labour giving rise to higher market wages, better standard of living and adjustment of the supply of labour to its demand. The increased supply of labour, in its turn, leads to greater and greater difficulty in the production of corn causing an increase in the rent of superior
plots of land and the increased price of corn leading every time to the higher money wage rate per man although the real wage rate remains stable. The last three columns of the table show that the proportionate share of the rent goes on increasing, that at the wages remains the same, and that of profits goes on diminishing.

We can now safely infer that there is no clash of interest between the labourer and the capitalist. The inverse relation is the product of the system in which rise of rent is the main point. The money wage rise not the real wage and that too became of the rise of rent. Ricardo writes, "It appears then, that the same cause which raises rent, namely, the increasing difficulty of providing an additional quantity of food with the same proportional quantity of labour, will also raise wages". Moreover, Ricardo does not regard the surplus produce as an exploitation of labour. He, on the contrary, regards profit as a compulsory payment adequate to compensate the troubles and risk undertaken by the capitalist. Therefore, "The farmer and manufacturer can no more live without profit than the labourers without wages. Their motive for accumulation will diminish with every diminution of profit, and will cease altogether when their profits are so low as not to afford them an adequate compensation for their trouble, and the risk which they must necessarily encounter in employing their capital productively".

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2. Ibid., p. 122.
Let us now proceed to discuss the clash of interests of the two proprietor classes—the capitalist and the landlords. Ricardo writes, "the interest of the landlord is always opposed to that of the consumer and manufacturer." 1

First of all we should note that in Ricardo's system only labourer and the capitalist classes are the productive classes. Landlords may be regarded as parasites who live upon the fund which formerly constituted the part of the profits of stock. His whole theory of Rent is an extraordinary example that rent does not create wealth but is merely a transfer of wealth from the one class to the other. He wrote, "It must be admitted that Mr. Sismondi and Mr. Buchan for both their opinions are substantially the same, were correct when they considered rent as a value purely nominal and as forming no addition to the national wealth, but merely as a transfer of value, advantageous only to the landlords, and proportionately injurious to the consumer." 2 He wrote to Malthus, "surely Buchan is right and your comment wrong; rent is not creation but a transfer of wealth." 3 And again, "for before it is paid to the landlords as rent it must have constituted the profits of stock." 4

1. Ibid., p. 335  
2. Ibid., p. 400  
3. Ibid., Vol. VII, p. 120.  
4. Ibid., p. 283.
The laws which govern the rise and fall of rent and profit are quite opposite. Ricardo writes, "the laws which regulate the progress of rent, are widely different from those which regulated the progress of profits, and seldom operate in the same direction".¹ Rent rise only when inferior lands are taken into cultivation or when lesser returns are obtained with the same amount of labour and capital. The price of corn rises to suit the returns of the inferior land which pays no rent. This increases the difference in the returns of the superior and the inferior lands and hence rent rises. Thus, it is in the best interest of the landlord that the price of corn must rise so that he can get more and more amount in rent. It may not be out of place to maintain that the landlord is not interested in the improvement of agriculture for the same decreases his rent in the short period. Therefore, he writes to Trower, "They are in possession of machines of various productive power, and it is their interest that the least productive machine should be called into action".² The landlord has the double interest in it. "first, it gives him a greater quantity of corn for rent, and secondly, for every equal measure of corn he will have a command not only over a greater quantity of money, but over a greater quantity of every commodity which money can purchase."³

¹. Ibid., Vol.I, p.68
³. Ibid., Vol. I, p. 337.
Such is not in the interest of the capitalist firstly, because the price of manufacturing industrial goods will not rise due to the rise in the price of corn, for if no more labour is required to produce them, they cannot raise in price. Thus, manufacturing goods are sold on the prevailing prices. "Secondly, because with every increase in the price of corn the capitalists have to pay more and more money wages to the labourers to enable them to have at least the same command on his item of necessaries, to perpetuate the race of labouring class. Thus, cost of production of the industrial goods rises without any corresponding change in the price of the produce. Consequently profits fall Ricardo, while admitting the difference of opinion with Malthus on the question of profit writes, "I have been endeavouring to get you admit that the profits of stock employed in manufactures and commerce are seldom permanently lowered or raised by any other cause than by the cheapness or dearness of necessaries; or on those objects on which the wages of labour are expended". 1 And again, "the only adequate and permanent cause for the rise of wages is the increasing difficulty of providing food and necessaries for the increasing number of workmen".2

It is in the interest of the capitalists that agricultural improvement must be carried out. The increased productiveness will augment the produce with lesser cost. The price of foodgrains

will be lowered down and consequently the wages of the labourer which will lead to the rise of profit.

George J. Stigler criticises Ricardo when he says that, "Ricardo was prone to exaggerate the conflict of interests between landlord and other economic classes, and his discussions of improvements in agricultural techniques is an important example of this". Under his usual assumptions his conclusion should have been that improvements always benefit the landlords.¹ He supports his viewpoint and writes, "the marginal product curve of capital and labour is higher relative to the cost of capital and labour." He believed that improvements had little effect on the shape of the marginal product curve - Works, Vol. I, pp 412-13.) and, since the supply of labour is infinitely elastic at a given real wage, rents must rise in the long run.² It cannot be said that he wholly ignored this implication. He thinks that in the long run they are also interested in the agricultural improvements. The difficulty of production would compel them to spend more money on the corn and, secondly, they would have to pay the higher money wages. Ricardo says, "I fully acknowledge the interest which landlords have in the increased fertility of their land, and in improvements in agriculture, for they cannot fail ultimately to reap the benefit; all I contend for is that the immediate effects are

2. Ibid., p. 200.
injurious to them, and if the principle of population were not strong might be permanently injurious to them”.  

Thus, here too the clash of interest between the landlord and the capitalist are for a short period. In the long run however, both are benefited by the improvements in agriculture.

Ricardian system presents a short-run conflict of interest between the two proprietor classes, i.e. the capitalist and the landlord class. Similarly, introduction of machinery also creates a temporary injurious effects to the interests of the labourers who become redundant and thus thrown on to the streets. However, Ricardo was concerned, as we have already seen, with the long run analysis. Therefore, there will be no clash of interest. Nobody can doubt however that Ricardo presented a ready made material for writers to come. If we consider a short run course, clash of interest is apparent. Ricardo saw the creation of surplus value by labour but appropriated by the capitalists. Though he never generated the idea of exploitation out of it, yet Marx must be thankful to Ricardo for the ready material which he former used against the classists and their system. Again Ricardo established inverse relationship between wages and profits and a clash of interests apparently in the use of labour saving machines. Schumpeter has said of Marx that he had a master in Ricardo. Still we can

say that Marx did not read his master carefully and inferred quite contrary conclusions which Ricardo never meant. Marx misunderstood him in the use of labour saving machines. Thus Michael P. Fogarty wrote, "Karl Marx was as much Ricardo's disciple as Hegel's Marx stood Ricardo, like Hegel, on his head before using him; the conclusions of Marx's Capital are not precisely what Ricardo would have wished. But the fact remains that capital is the pure milk of Ricardo's doctrine, developed and interpreted by a brilliant disciple with a fire and vision and skill in practical illustration which the master himself never equalled."

Ricardo, however, was much more interested in the clash of interests between the two proprietor classes. He saw their interest opposed not only to the capitalist but to the general public. He says, "The dealings between the landlord and the public are not like dealings in trade, whereby both the seller and buyer may equally be said to gain but the loss is wholly on one side, and the gain wholly on the other." [1]

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1. Introduction to the Principles of Political Economy and Taxation (1957 edn.) pp. VI-VII.

CHAPTER IV

T.R. MALTHUS
Malthusian model of economic growth of the capitalistic economy is an extraordinary example of class-harmony. So complete and interwoven is his system that no extra-ordinary mind can find pitfalls and prove class-conflict in it. He is who, not only, tried to maintain his system intact but also to patch up the lapses in the system of his master - Adam Smith. He tried to convince Ricardo that the interests are harmonious and there could be no conflict between the interests of the landlord and the society, labourers and the capitalists. Whenever he found any leakage in the system of Adam Smith and Ricardo, he tried to patch it up with arguments and examples of the contemporary and other historical facts.

Malthus' entire system is regulated by the twin forces of supply and demand. The principle of price mechanism is universal and all prevailing law that Malthus finds no exceptions to it. He writes, "and this law appears to be so general, that probably not a single instance of a change of price can be found which may not be satisfactorily traced to some previous change in the causes which affect the demand or supply". Cost of production alone has nothing to do with price. Malthus has

given many examples to support his argument, but the most beautiful is that of the artificial value accorded to the book notes by limiting their amount. He writes, "But, if an article which costs comparatively nothing in making, though it performs one of the most important functions of gold, can be kept to the value of gold by being supplied in the same quantity, it is the clearest of all possible proofs that the value of gold itself no further depends upon the cost of its production, than as this cost influences its supply, and that if cost were to cease, provided the supply were not increased, the value of gold in this country would still remain the same." He therefore, does not agree

1. Ibid., p. 49, other examples are as follows:

"all the commodities that are consumed in this country, whether agricultural or manufactured, could be produced, during the next ten years without labour, and yet, could only be supplied exactly in the same quantities as they would be in a natural state of things; then, supposing the wills and the powers of the purchasers to remain the same, there cannot be a doubt that all prices would also remain the same" (Ibid., pp. 46-47).

"In the well known instance noticed by Adam Smith of the insufficient pay of curates, notwithstanding all the efforts of the legislature to raise it (Wealth of Nations, Bk. I, C. X, p. 202 6th edn.) a striking proof is afforded that the permanent price of an article is determined by demand and supply, and not by the cost of production" (Ibid., p. 47).

The effects of the poor-rates in lowering the wages of labour present another practical instance of the same kind. "It is not probable that public money should be more economically managed than the income of individuals. Consequently the cost of rearing a family can not be supposed to be diminished by parish assistance, but, a part of the expense being borne by the public, a price of labour adequate to the maintenance of a certain family is no longer a necessary condition of its supply, and as, by means of parish rates this supply can be obtained without such wages, the real costs of supplying labour no longer regulate its price" (Ibid., p. 48.)
with Ricardo that cost of production determines price. He wrote to Ricardo, "On April 28th, 1816 "I cannot help thinking that the reason why with your clear head, you find a difficulty in your progress is that you are got a little into a wrong track." And again on October 26th, 1820, "In the same manner when you reject the consideration of demand and supply in the price of commodities and refer only to the means of supply, you appear to me to look only at the half of your subject." Malthus adds that cost of production influences the supply and hence the price must ultimately be equal to the cost of production. He regards it the necessary price and not the natural price as described by Adam Smith. He wrote, "The price which fulfils these conditions is precisely what Adam Smith calls the natural price. I should be rather more disposed to call it necessary price, because the term necessary better expresses a reference to the conditions of supply, and is, on that account, susceptible of a more simple definition. But the cost of production would be different from that of Ricardo which consists of wages and profits. According to Adam Smith it includes rent also as a component part of price. Malthus remarks, "It may be said, perhaps that even according to this view given of demand and supply in the preceding section, the permanent prices of a

great mass of commodities will be determined by the cost of their production. This is true, if we include all the component parts of price stated by Adam Smith, though not if we consider only those stated by Mr. Ricardo."\(^1\) The price of the component parts of the cost of production will itself depend upon the law of demand and supply. In a letter to Ricardo he writes, "will it not be true in all cases that rent will depend upon the demand compared with the supply of good land, wages on the demand compared with the supply of labour, and profits on the demand compared with the supply of capital".\(^2\)

Malthus' emphasis on the cost of production may thus be attributed to his justification of the remuneration of the three classes of society - the labourers, the landlords and the capitalist class. He writes, "Although, at the time of the actual exchange of two commodities, no circumstance affects it but the relation of the supply to the demand; yet, as almost all the objects of human desire are obtained by instrumentality of human exertions, it is clear that the supply of these objects must be regulated - first, by the quantity and direction of this exertion; secondly, by the assistance which it may receive from the results of previous labour; and thirdly, by the abundance or scarcity of the materials on which it has to work and of the food of the labour."\(^3\) Thus, these three remunerations are necessary in order to obtain the supply of by far the greater

part of the commodities which the community wants. "and the compensation which fulfils these conditions, or the price of any exchangeable commodity, may be considered as consisting of three parts - that which pays the wages of the labourer employed in its production; that which pays the profits of capital by which such production has been facilitated; and that which pays the rent of land, or the remuneration for the raw materials and food furnished by the landlord."

Wages are paid to the labourer for his exertion and efforts,"The first condition is, that the labour which has been expended on it should be so remunerated in the value of the objects given in exchange, as to encourage the exertion of a sufficient quantity of industry in the direction required, as without such adequate remuneration the supply of the commodity must necessarily fail." If the labourer possesses special qualities, few comparatively would be able or willing to engage in it; and upon the common principles of exchangeable value of demand and supply, it would rise in price. Similarly if the work were of a nature to require an uncommon degree of dexterity and ingenuity a rise of price would take place. Malthus, however, does not agree with Adam Smith that price of labourer raises due to high esteem which man have for such talents (Wealth of Nations, Book I, Ch.VI, p. 71, 6th Edition). They rise, "on account of their rarity, and the consequent rarity of the effects of produced by them." And thus "In all these cases the remuneration will be regulated, not

1. Ibid., pp.52-53.  
2. Ibid., p. 50.
by the intrinsic qualities of the commodities produced, but by the state of the demand for them compared with the supply and of course by the demand and supply of the sort of labour which produced them.\(^1\)

The second remuneration out of the produce is known as profits. Malthus writes, "The second condition to be fulfilled is, that the assistance which may have been given to the labourers, from the previous accumulation of objects which facilitates future production, should be so remunerated as to continue the application of this assistance to the production of the commodities required."\(^2\) It may sometimes be inferred that if by means of certain advances, to the labourer of machinery, food and materials previously collected, he can execute eight or ten times as much work as he could without such assistance, the person furnishing them, be entitled to the difference between the powers of unassisted labour and the powers of labour so assisted. Malthus does not agree because, "the prices of commodities do not depend upon their intrinsic utility, but upon the supply and demand."\(^3\) The increased power of labour will produce an increased supply of commodity; their prices would consequently fall. "and the remuneration for the capital advanced would soon be reduced to what was necessary, in the existing state of society, to bring the articles to the

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1. Ibid., p. 50.  
2. Ibid., p. 50.  
3. Ibid., p. 51.
production of which they were applied to market".\textsuperscript{1} With regard to the labourers employed their remuneration will depend upon the twin forces of demand and supply. "It is not, therefore, quite correct to represent, as Adam Smith does, the profits of capital as a deduction from the produce of labour. They are only a fair remuneration for that part of the production contributed by the capitalist, estimated exactly in the same way as the contribution of the labourer".\textsuperscript{2}

Rent is paid to the landlord for the appropriation a land - private property of the landlord. Malthus justifies the remuneration and does not agree with Adam Smith who, "represents them, rather invidiously, as loving to reap where they have never sown, and as obliging the labourer to pay for the licence to obtain these natural products, which when land was in common, cost only the trouble of collecting\textsuperscript{3}"\textsuperscript{3}(Wealth of Nations, Book I, Ch.VI, p. 74, 6th edition). He argues that Adam Smith would himself be the first to acknowledge that, if land were not appropriated, its produce would be, beyond comparison, less abundant, and consequently dearer; and if it be appropriated, some persons or other must necessarily be the proprietors. "The price of the produce will be determined by the general supply compared with the general demand, and will be precisely the same, whether the labourer pays a rent or uses the land without

\textsuperscript{1}Ibid., p. 51. \textsuperscript{2}Ibid., p. 52. \textsuperscript{3}Ibid., p. 51.
The only difference is that, in the latter case, what remains at this price, after paying labour and capital, will go to the same person that contributed the labour. It will be a real inference that the condition of the labourer would be better-off if he were in possession of land as well as labour. "but which by no means implies that the labourer, who in the lottery of human life has not drawn a prize of land, suffers any hardship or injustice in being obliged to give something in exchange for the use of what belongs to another". Thus, "The possessors of land, whoever they may be, conduct themselves, with regard to their possessions, exactly in the same way as the possessors of labour and of capital, and exchange what they have for as many other commodities as the society is willing to give them for it".

The above discussion clearly indicates that in Malthus' system there is no case of exploitation. Each factor of the component part is a fair remuneration of the owners of the factors of production. The labourer possesses labour, the capitalist his previous accumulations and the landlord is the owner of the land. The combination of the three factors results in the production of commodities - a combined effort. The product is therefore distributed among the three by the

1. Ibid., p. 52
2. Ibid., p. 50
3. Ibid., p. 57.
just principle of value the law of supply of and demand for.
Malthus clarifies his position that, "If the commodities have
been obtained by the exertion of manual labour exclusively,
aided at least only by the unappropriated bounties of nature, the
whole remuneration will, of course, belong to the labourer, and
the usual value of this remuneration in the existing state of the
society, would be the usual price of the commodity". ¹ However,
Malthus does not agree to this state of condition because, "there
is scarcely any stage of society, however barbarous, where the
cost of production is confined exclusively to labour. At a very
early period, profits will be found to form an important part of
this cost, and consequently to enter largely into the question
of exchangeable value as a necessary condition of supply"² Hence
the produce is divided between the labour and the capitalist. With
the advancement of the capitalist society land became scarce to
the demand of the population. Private proprietorship established
on land and the possessor required rent for its appropriation.
Thus "payment of rent... is a necessary condition of the supply
of the great mass of commodities".³ Malthus agrees with Adam
Smith, the rent enters into price, and hence refutes Ricardo who
excludes rent as a component part of price. Therefore, he
arrives at the conclusion that, "the cost of the great mass of
commodities is resolvable into wages, profit, and rent".⁴

¹. Ibid., p. 50  ². Ibid., p. 57
³. Ibid., p. 67. ⁴. Ibid., p. 67.
Let us proceed our analysis to the system itself and see how Malthus tried to maintain the harmonious order in society and patched the works of Adam Smith and Ricardo.

Malthus rejects the viewpoint of Ricardo and others to regard rent as a monopoly price. To him it is only a partial monopoly. Rent may be said to be the difference between the value of the produce on the land and the outgoings including the wages and profits calculated at the ordinary rate of profit. The causes of such excess of the produce over the cost of production have been stated by Malthus as under:

"First, and mainly, that quality of the earth, by which it can be made to yield a greater portion of the necessaries of life than is required for the maintenance of the persons employed on the land. Secondly, that quality peculiar to the necessaries of life of being able, when properly distributed to create their own demand, or to raise up a number of demanders in proportion to the quantity of necessaries produced.

And thirdly, the comparative scarcity of fertile land, either natural or artificial."1

The quality of the soil which gives rise to the surplus of produce over cost of production is considered to be the main cause of the emergence of rent. Whatever the degree of external demand (which is the main cause of the price under monopoly)

1. Ibid., p. 107.
It cannot give rise to rent unless there is a surplus out of which it can be paid. Therefore, it is evident that the surplus from land arising from its fertility is the foundation or the main cause of rent. The second cause is more significant that, "land produces the necessaries of life - produces the means by which, and by which alone, an increase of people may be brought into being and supported." And "Thus the fertility of the land

1. Malthus for instance writes, "the power of such land to yield rent is exactly proportioned to its fertility or, to the general surplus which it can be made to produce beyond what is strictly necessary to support the labour and keep up the capital employed upon it. If this surplus be as 1,2,3,4, or 5 than its power of yielding a rent will be as 1,2,3,4, or 5; and no degree of monopoly - no possible increase of external demand can essentially alter their different powers". (Ibid., p. 108) And also, "Increase this fertility, the limit will be enlarged, and the land may yield a high rent; diminish it the limit will be contrasted and a high rent will become impossible, diminish it still further the limit will coincide with the cost of production, and all rent will disappear". (Ibid., p. 116).

2. Ibid., p. 109: Here supply of food creates its own demand. In his theory of population he writes, "That population cannot increase without the means of subsistence, is a proposition so evident that it needs no illustration." Again "That population does invariably increase, where there are the means of subsistence, the history of every people that have ever existed will abundantly prove". An Essay on the Principle of Population As it Affects The Future Improvement of Society, with Remarks on The Speculations of Mr. Godwin, M. Condorcet And Other Writers. (Reprinted - First Essay on Population, 1798, Thomas, Robert Malthus, with notes by James Bonar, Reprints of Economic Classics, Augustus M. Kelley, Bookseller, New York, 1965. P. 37
gives the power of yielding a rent, by yielding a surplus quantity of necessaries beyond the wants of the cultivators; and the peculiar quality belonging to the necessaries of life, when properly distributed, tends strongly and constantly to give a value to this surplus by raising up a population to demand it. Now, since the fertile land is comparatively limited and the greater quantity of capital cannot be employed unless it is accompanied by the cultivations of the inferior plots of land, the surplus arises on the more fertile land. This cause is clearly a consequence of the second one insofar as it is necessary to separate the rent of land from the profits of the cultivators and the wages of labourers. Malthus points out: "The quality of the earth first mentioned or its power to yield a greater portion of the necessaries of life than is required for the maintenance of the persons employed in cultivation, is obviously the foundation of this rent, and the limit to its possible increase. The second quality noticed, or the tendency of an abundance of food to increase population, is necessary both to give a value to the surplus of necessaries which the cultivators can obtain on the first land cultivated; and also to create a demand for more food than can be procured from the richest lands. And the third cause, or the comparative scarcity of fertile land, which is clearly the natural consequence of the second, is finally necessary to separate a portion of the general surplus from the land, into the specific form of rent to a landlord."¹

¹ Works of David Ricardo vol ii p 114. Ibid, 121.
The rise of rent may be attributed to the causes which reduce the cost of production. Malthus discusses four causes in this connection which are as follows: "First, such an accumulation of capital as will lower the profits of stock; Secondly, such an increase of population as will lower the wages of labour; Thirdly, such agricultural improvements, or such increase of exertions as will diminish the number of labourers necessary to produce a given effect; and Fourthly, such an increase in the price of agricultural produce, from increased demand, as without nominally lowering the expense of production, will increase the difference between this expense and the price of produce". ¹ The rise of rent is a green signal of prosperity and development. Malthus writes, "We see then that a progressive rise of rents seems to be necessarily connected with the progressive cultivation of new land, and the progressive improvement of the old; and that this rise in the natural and necessary consequence of the operation of four causes, which are the most certain indications of increasing prosperity and wealth - namely, the accumulation of capital, the increase of population, improvements in agricultural and the high market, price of raw produce, occasioned either by a great demand for it in foreign countries, or by the extension of commerce and manufactures". ² Similarly, when the cost of production raises

not only rent is reduced, but also the whole economy signals to the retarding conditions. In the words of Malthus, "The causes which lead to a fall of rents are, as may be expected, exactly opposite description of to those which lead to a rise: namely diminished capital, diminished population, a bad system of cultivation, and the low market price of the produce. They are all indications of poverty and decline and are necessarily connected with the throwing of inferior land out of cultivation and the continued deterioration of the land of a superior quality."

It is obvious from the above discussion that the interest of the landlord and the rest of the commodity is strictly connected. Malthus agrees with Adam Smith, "that the interest of the landholder is strictly connected with that of the state; (Wealth of Nations Book I, Ch. XI, p 394, 6th edn.) and that the prosperity or adversity of one involves the prosperity or adversity of the other". Malthus once again supports, "If under any given natural resources in land, the main causes which conduce to the interest of the landholder are increase of capital, increase of population, improvements in agriculture, and an increasing demand for raw produce occasioned by the prosperity of commerce, it seems scarcely possible to consider the interests of the landlord as separated from those of the state and people."

1. Ibid., p. 161.
2. Ibid., p. 185.
3. Ibid., p. 185.
Malthus criticises Ricardo who thinks that "the interest of the landlord is always opposed to that of consumer and the manufacture." This view of Ricardo is supported by his theory of rent, in which difficulty of production increases the amount of rent. Therefore, it is for the interest of the landlord that the cost attending the production of corn should be increased and that improvements in agriculture tend rather to lower than to raise rents. Malthus does not agree because in his system rent depends upon fertility of land and not upon the difficulty of producing corn. He does not agree that improvements in agriculture are sudden. They are found to be partial and gradual. "And as, where they prevail to any extent, there is always an effective demand for labour, the increase of population occasioned by the increased facility of producing food, soon overtakes the additional produce. Instead of land being thrown out of employment, more land is cultivated owing to the cheapness of the instrument of cultivation, and under these circumstances rents must rise instead of fall." He is so firm of the above view that he does not find even a single instance contrary to his theory he writes, "These results appear to


2. Ibid.

* He writes to Ricardo on October 11, 1815, "Fertility is in fact the essence of high rents, and low rents are the necessary result of barrenness however scarce corn may be. If land will support no more than those who work upon it, there can be no rent" (Works of David Ricardo, Vol. VI, p. 297).

me to be so completely confirmed by experience, that I doubt, if a single instance in the history of Europe, or any other part of the world, can be produced where improvements in agriculture have been practically found to lower rents.\(^1\)

Malthus refutes the argument of difficulty of production of corn and pushes his argument of fertility as the basis of the rise in rent. He states that most countries consist of a gradation of soils, rent rise as cultivation is pushed to poorer lands. The poor lands are cultivated because of the pressure of population, and "if there were no poor soils, these resources would still be called forth; a limited territory, however fertile, would soon be peopled; and without any increase of difficulty in the production of food, rents would rise."\(^2\) Thus, increase of rents which results from an increase of price occasioned solely by the greater quantity of corn on fresh land, is very much more limited than has been supposed by Ricardo "and by a reference to most of the countries with which we are acquainted, it will be seen that, practically, improvements in agriculture and the saving of labour on the land, both have been, and may be expected in future to be, a much more powerful source of increasing rents."\(^3\)

Malthus proves his analysis with the examples of England, Scotland, Ireland, Poland, India and South America where, "the future increase of rents will depend mainly upon an improved system of agriculture."\(^4\)

\(^{1}\) Ibid., p. 187. \(^{2}\) Ibid., p. 187. \(^{3}\) Ibid., p. 188. \(^{4}\) Ibid., p. 188
"It should be further observed" remarks Malthus in reference to improvements in agriculture, that the mode in which Mr. Ricardo estimates the increase or decrease of rents is quite peculiar; and this peculiarity in the use of his terms tends to separate his conclusions still farther from truth as enunciated in the accustomed language of political economy. 1

We have to refute the actual position for a wrong theory.

Malthus gives two examples first in regard to rise of rent in England and the other with regard to wages in America and Sweden.

In the existing state rents are high in England in exchangeable

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1. Ibid., p. 198: Malthus refers to the following statement of Ricardo: "It is not by the absolute quantity of produce obtained by either class, that we can correctly judge of the rate of profits, rent, and wages, but by the quantity of labour required to obtain that produce. By improvements in machinery and agriculture the whole produce may be doubled; but if wages, rent and profits be also doubled, they will bear the same proportions to one another as before. But it wages partook not of the whole of this increase; if they, instead of being doubled, were only increased one half; of rent, instead of being doubled were only increased three fourths, and the remaining increase went to profit, it would I apprehend, he connect for me to say, that rent and wages had fallen while profits had risen. For if we had an invariable standard by which to measure the value of this produce, we should find that a less value had fallen to the class of labourers and landlords and a greater to the class of capitalists than had been given before" (Principles of Political Economy, Chapter I, p. 64, 2nd edn. Works of David Ricardo, Vol. II, pp. 189-190).

A little further on having stated some specific proportions, he observes, "In that case I should say, that wages and rent had fallen - and profits risen, though, in consequence of the abundance of commodities, the quantity paid to the labourer and landlord would have increased in the proportion of 25 to 44" (Ibid., p. 65 - Works of David Ricardo, Vol. II, p. 190)
value - in command of money, corn, labour and manufactures. Similarly, wages are high in America, both in money value and in the command of the necessaries and conveniences of life, and low in Sweden. If we adopt Ricardo's analysis Malthus says, we must say, "that rents have fallen considerably during the last forty years" because, "they are now only a fifth of the gross produce, whereas they were formerly a fourth or a third". 1 Similarly we must infer that wages are high in Sweden, "because, although the labourers only earns low money wages, and with these low wages can obtain but few of the necessaries and conveniences of life; yet, in the division of the whole produce of a labourous cultivation on a poor soil, a larger proportion may go to labour". 2

Malthus points out that Ricardo has been betrayed by the fundamental error of confounding cost and value, and the further error of considering the raw produce in the same light as manufactures. But in agricultural industry effective demand is always, created by increased population. Thus, "If population increases according to necessaries which the labourer can command the increased quantity of raw produce which falls to the share of the landlord must increase the exchangeable value of his rents estimated in labour, corn and commodities. And it is certainly by real value in exchange, and not by an imaginery standard, which is to measure proportions or cost in labour, that the rents and interests of landlords will be estimated." 3

2. Ibid., pp. 192-93 & 194.
3. Ibid., pp. 194-95.
Malthus clarifies his own concept that he always meant to refer to the real rents and the real interest of the landlord; that is, his power of commanding, labour, and the necessaries and conveniences of life, whatever proportion these rents may form of the whole produce, or whatever quantity of labour they may have cost in producing. He writes, "This interpretation of the term rent is, I conceive, strictly consistent with my first definition of it. I call it that portion (not proportion) of the value of the produce which goes to the landlord; and if the value of the whole produce of any given quantity of land increases the portion of the value which goes to the landlord may increase considerably, although the proportion which it bears to the whole may diminish".

The whole thesis can be summarised in this manner. Improvements in agricultural industry facilitate the cultivation of new land, and the better cultivation of the old with the same capital more corn would certainly be brought to market. The increase of population creates more demand for food which raises the price of corn. Thus, "every step in the cultivation of poorer lands facilitated by these improvements, and their application to all the lands of better quality before cultivated, would universally have raised rents: and thus, under an improving system of cultivation, rents might continue rising without any

1. Ibid., p 195 fn.
rise in the exchangeable value of corn, or any fall in the real wages of labour, or the general rates of profit. Therefore, interests of the landlords are not opposed to that of the other classes.

Malthus criticises the viewpoint advanced by Buchanan and Sismondi supported by Ricardo that rent does not create general addition to the stock of the community because it is a result of the transfer of the surplus produce from one class to the other. Malthus explains that in the early stage in the development of society there was ample of fertile land. The surplus produce of the soil shows itself chiefly on extraordinary high profits, and extraordinary high wages, and appears but little in the shape of rent. But accumulation of capital beyond the means of employing it on the land of greatest natural fertility and most advantageously situated, must necessarily lower profits; while the tendency of population to increase beyond the means of subsistence must, after a certain period, lower wages of labour. As more and more people demand subsistence the exchangeable value of food rises where as due to a fall in the rate of profit and wages decreases the cost of production. This excess i.e., value of food in exchange minus cost of production, or surplus derived from land is known as rent; when capital further accumulates inferior lands are cultivated with lesser results. Rent rise due to difference of fertility and

1. Ibid., p. 141.
2. Malthus quotes Mr. Buchanan who writes, "In this view it can form no general addition to the stock of the community, as the conti..
the difference between exchange value of food and the cost of production. Thus, "If the profits of stock on the inferior land taken into cultivation were thirty per cent and portion of the old land would yield forty per cent; ten per cent of the forty would obviously be rent by whomsoever received". Rent rises with every decrease in the cost of production. Malthus therefore, confirms that rent cannot remain a part of profit and wages and "It may be laid down, therefore, as an incontrovertible truth, that as a nation reaches any considerable degree of wealth, and any considerable fullness of population, the separation of rents, as a kind of fixture upon lands of a certain quality, is as invariable as the action of the principle of gravity".

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1. Rent surplus in question is nothing more than a revenue transferred from one class to another, and, from the mere circumstance of its thus changing hands it is clear that no fund can arise out of which to pay taxes. The revenue which pays for the produce of land exists already in the lands of those who purchase that produce, and, if the price of subsistence were lower, it would still remain in their hands where it would be just as available for taxation, as when by a higher price it is transferred to the landed proprietor (Works of David Ricardo, Vol. II, p. 106).


2. Ibid., pp. 126-27.
Rent though, may be considered as a transfer of wealth from profits and wages, yet is no less a creation of value in itself. Malthus writes to Ricardo on February 12, 1815 that "Rents are undoubtedly a part of the wealth already created but they are not on that account less a creation. A man hires an instrument of mine for 20 years, from the use of which with the assistance of his capital he makes fair and ample profits. But at the end of the 20 years my instrument is worth double what it was before. Is it not a creation of value which would not have taken place, if the same capital had been employed in commerce or manufactures?" It is no doubt true that before the expiry of the lease the benefit was derived by the farmer in the form of profits. Profits however, seek a level by the twine forces of demand and supply under perfect competition. Therefore, this surplus cannot be regarded as profit because "when the benefits of a particular employment of capital continue much greater than usual, either monopoly or rent must be concerned". He supports his arguments with the example of England where during the last hundred years, profits and wages have risen along with the rent of land due to improvements in agriculture. "Consequently these rents must have been a creation from the skill and capital employed upon the land, and not a transfer from profits and wages."

Malthus does not think this transfer of wealth to rents as injurious. He writes, "The transfer from profits and wages and such a price of produce as yields rent, which have been objected to as injurious, and as depriving the consumer of what it gives to the landlord, are absolutely necessary in order to obtain any considerable addition to the wealth and revenue of the first settlers in a new country; and are the natural and unavoidable consequences of that increase of capital and population for which nature has provided in the propensities of the human race". Moreover, "if this transfer can be considered as injurious to the consumers then every increase of capital and population must be considered as injurious".¹

The whole argument can be summarised thus that rent cannot be regarded as a part of profits and wages. It is neither a mere nominal value, nor a value "unnecessarily and injuriously transferred from one set of people to another; but a most real and essential part of the whole value of the national property".²

Next comes the labourers who live upon wages. Malthus tried to link the relations of the labourers with all the other classes with the same thread of demand and supply. He writes, "The principle of demand and supply is the permanent regulator of the prices of labour as well as of commodities, not only temporarily but permanently; and the cost of production

¹. Ibid., p. 122.  ². Ibid., p. 127.
affect these prices only as they are the necessary condition of the permanent supply of labour or of commodities.¹

He considers Ricardo's natural price as the most unnatural because it requires that the population be stationary which is impossible in a growing economy. He considers the natural price or the necessary price as the one which, "in the actual circumstances of the society, is necessary to occasion an average supply of labourers, sufficient to meet the average demand."² He therefore, lays emphasis regarding the determination of wages on the principle of demand and supply. He admits Adam Smith's contention that wages are determined by the supply of and the demand for labourers and the price of the wage-goods; but he asserts that both these factors are influenced by the supply and demand and therefore there is only one principle which determines wages.³

There is strictly harmony of interests of the labourers with the rest of the society because the demand for labour depends upon capital and revenue of the country. "the faster the value of the annual produce increases, the greater will be the power of purchasing fresh labour, and the more will be wanted every year."⁴

Malthus has, moreover, emphasised that labourers themselves are the makers of their destiny and no other class can make them rich or poor or make them accept higher or lower share from the produce. If by prudential habits and foresight they can keep their numbers restricted nobody can check a rise in the wages. Malthus writes, "It may naturally appear hard to the labouring classes that, of the vast mass of productions obtained from the land, the capital, and the labour of the country, so small a portion should individually fall to their share".¹ And again, "If the market were comparatively understocked with labour, the landlords and capitalists would be obliged to give a larger share of the produce to each workman".² Therefore, he remarks, "The rich have neither the power, nor can it be expected that they should all have the will to keep the market understocked with labour; yet every effort to ameliorate the lot of the poor generally, that has not this tendency, if perfectly futile and childish. It is quite obvious therefore, that the knowledge and prudence of the poor themselves are absolutely the only means by which any general improvement in their condition can be effected. They are really the arbiters of their own destiny; and what others can do for them is like the dust of the balance compared with what they can do for themselves. These truths are so important to the happiness of the great mass of society, that every opportunity should be taken of repeating them".³

1. Ibid., p. 262  2. Ibid., p. 262  3. Ibid., p. 262. Similarly he remarks, "The prudential habits of the poor can alone give them the command over a fair proportion of the necessaries and conveniences of life, from the earliest stage of society to the latest". (Ibid., p. 299).
Malthus does not agree with Ricardo that introduction of machinery may prove injurious to the labourers for a short period, because it throws the labourers on the street. Malthus remarks that it is sometimes thought that the demand for labour depends upon the circulating and not upon that amount of fixed capital. "this is no doubt true in individual cases; but it is not necessary to make the distinction in reference to a whole nation; because where the substitution of fixed capital saves a great quantity of labour which cannot be employed elsewhere, it diminishes the value of the annual produce, and retards the increase at the capital and revenue taken together". 

With cheap goods internal market is widened and international trade is extended. Demand for the product augments and hence the size of the industry. Demand for labour also increases and thus, "In general, however, the use of fixed capital is extremely favourable to the abundance of circulating capital; and if the market for the products can be proportionately extended, the whole value of the capital and revenue of a state is greatly increased by it, and a great demand for labour created".

Malthus supports with the example of the cotton business where introduction of machinery has increased the demand for labour. This can be ascertained by the greatly increased population of Manchester, Glasgow and other towns where cotton manufactures

1. Ibid., p. 234-35
2. Ibid., p. 236.
have most flourished. Hardware, woolen and other manufactures are also seen to support the argument.\(^1\) It is therefore not necessary that the introduction of fixed capital would diminish the demand for labour and lead to the misery of the labouring class. It may indeed happen that if the fixed capital increases at a rapid speed and market is not found enough for the sale of the increased supply of the commodities, the labourers are not easily employed. And if this state of affairs continues there would general distress of the labouring class. He say, "In general, therefore, there is little to fear that the introduction of fixed capital as it is likely to take place in practice will diminish the effective demand for labour; Indeed it is to this source that we are to look for the main cause of its future increase. At the same time, it is certainly true as will be more fully stated in a subsequent part of this volume, that if the substitution of fixed capital were to take place very rapidly, and before an adequate market could be found for the more abundant supplies derived from it and for the new products of the labour that had been thrown out of employment, a slack demand for labour and great distress among the labouring class of society would be universally felt".\(^2\)

Malthus summarises the whole argument thus: The facilities of production have the strongest tendency to open new markets -

\(^2\) Ibid., pp. 239-40.
internal as well as external. Therefore, in all actual state there is little reason to apprehend any permanent evil from the introduction of machinery. "But still we must allow that the pre-eminent advantages derived from the substitution of machinery for manual labour, depend upon the extension of the market for the commodities produced, and the increased stimulus given to consumption; and that, without this extension of market and increase of consumption, they must be in a great degree lost". 1

The determination of profits is also based on the price mechanism under perfect competition. Malthus does not agree with the analysis of Ricardo on profits that they depend upon wages. It will be convenient to discuss Ricardo's analysis in short to understand Malthusain analysis of profits. In the Ricardian system, since rent is not a component part of price the revenue from the marginal land is divided into wages and profits only. It, therefore, follows that the higher the wages the lower the profits and vice versa. With the progress of society and accumulation of capital the difficulty in production of corn increases leading to high price of corn, Consequently the money wages increase and profits fall.

Malthus would agree with Ricardo's explanation of profits insofar as it may be considered as the limiting cause of profits. This cause, according to him, works very slowly and may become

1. Ibid., p. 366.
very important in the secular period if there were no other causes interfering in its operation. He also agrees that wages age generally the greatest and most important. He writes, "it is a mere truism, to say that given the production, and supposing it to consist of wages and profits, the higher is the amount of one, the lower must be the amount of the other". But, "The real question is, what is the main cause which determines the rate of profits under all the varying degrees of productiveness?"

Malhux does not agree with Ricardo that difficulty of producing corn on the last land, via wages, determines the rate of profits. He argues, "If, for instance, in one country with the last land taken into cultivation of a given fertility capital were stationary not from want of demand, but from great expenditure and the want of saving habits, it is certain that labour after a time, would be paid very low, and profits

1. To Malthus, profits consist, "of the difference between the value of advances necessary to produce a commodity, and the value of the commodity when produced" (Ibid., Vol. II, p. 251) elsewhere he writes, to Ricardo, "The profits of stock or the means of employing capital advantageously may be said to be accurately equal to the price of produce minus the expense of production" (Works of David Ricardo, Vol. VI, p. 140). Therefore, amongst the advances the means of supporting labour are generally most important.


3. Ibid., p. 80.
would be very high".  And, "If, in another country with
similar land in cultivation, such a spirit of saving should
prevail as to occasion the accumulation of capital to be more
rapid than the progress of population, it is as certain that
profits would be very low". He quotes the history of profits
for the last hundred years in great Britain which proves, "The
different rates of interest and profits in the two periods here
noticed are diametrically opposed to the theory of profits founded
on the natural quality of the last land taken into cultivation." He
therefore writes to Ricardo, "your doctrine that high profits
depend upon the low money price of corn appears to me still more
objectionable and still more uniformly contradicted by
experience," because, "There are many causes of a high relative
price of corn - Division of labour in manufactures, machinery;
Demand for corn abroad; Restrictions on importations; Prosperous
foreign commerce &c. None of these involve diminished profits".

Malthus evolves his system of demand and supply. In the
cultivation of land the main cause of the necessary diminution
of profits is the increased quantity of labour to produce a given
quantity of corn, that is the principle of diminishing returns.

2. Ibid., p. 268.
3. Ibid., p. 277.
5. Ibid., p. 236.
What will happen, asks Malthus in the case of manufactures and commerce where the productive power of labour not only does not diminish but actually increases? He is sure that there it is the fall in the value of produces, because of the employment of too much capital in relation to the effective demand for the commodities, that diminishes the rate of profit. This becomes the regulatory cause of determination of profit. According to Malthus the arena of employment of capital is not necessarily related to the difficulty in the production of corn. Therefore, the only way in which the profits can be determined is through the operation of the forces of supply and demand. In a letter to Ricardo Malthus writes, "By the more I think on the subject the more I feel convinced that the rate of profits of stock depends mainly on the demand and supply of stock compared with the demand and supply of labour, and very little (directly) on facility or difficulty of production, properly so called."


Elsewhere he writes:

i0 "so that at any one period of some length in the last or following hundred years, it might most safely be asserted that profits had depended or would depend very much more upon the causes which had occasioned a comparatively scanty or abundant supply of capital than upon the natural fertility of the last land last taken into cultivation". (Works of David Ricardo, Vol. II, p. 275.)

11) "The real question is what is the main cause which determines the rate of profits under all the varying degrees of productiveness? and I have no hesitation in answering distinctly that it is the proportion which capital bears to labour, or the plenty or scarcity of capital compared with the plenty or scarcity of labour; and what I mean by the demand for capital is a scarcity of capital compared with labour" (Works of David Ricardo, Vol. VII, p. 80).

...cont.
Malthus is perturbed only because Ricardo's explanation of the cause of profit contradicts experience not only slightly and for short periods but, "obviously and broadly, and for periods of such extent, that to overlook them would not be merely like overlooking the resistance of the air in a failing body, but like overlooking the change of direction given to a ball by a second impulse acting at a different angle from the first".¹

It is thus obvious that Malthus wants to invoke the general principle of supply and demand or the principle of competition brought forward by Adam Smith in his explanation of profit.²

Conti.

1. "And yet in fact there is no other cause of permanently high profits than a deficiency in the supply of capital and under such a deficiency occasioned by extravagant expenditure, the profit of a particular country might for hundreds of years together continue very high, compared with others owing solely to the different proportions of capital to labour". (Works of David Ricardo, Vol. II, p. 269)

2. Khan, Mohammad Shabbir Kh comments that "Ricardo obviously misunderstands Malthus when he suggests that both the causes presented by the latter are actually one and the same". Ricardo remarks, "These two causes may both be classed under the name of high or low wages. Profits in fact depend on high or low wages, and on nothing else.

The greater the proportion of the value of the whole produce necessary to support the labourers the higher will be the wages. The greater the quantity of capital is compared with the labour which it is to employ, the higher will wages be" (Ibid., p. 252). Mr. Khan continues, "In fact Malthus' first cause is related to the question of the rise in the cost of production whereas the second to the fall in the price of final commodities" (Ricardo's Theory of Distribution, Faculty of Arts Publication Series-4, Muslim University, Aligarh India, p. 85 fn).
He concludes, "in the actual state of things in most countries of the world and within limited periods of moderate extent, the rate of profits will practically depend more upon the causes which affect the relative abundance or scarcity of capital, than on the natural powers of the last land taken into cultivation. And consequently, to dwell on this latter point as the sole or even the main cause which determines profits, must lead to the most erroneous conclusions".¹

Malthus’ criticism of Ricardo’s theory of profit incidently contradicts the argument of Ricardo that there is a clash of interest between the two proprietor-classes of the landlord and the capitalists. Marx’s misunderstanding about Ricardo’s system about the class conflict of capitalists and the labourers is also washed-off.

The entire system is based on the forces of supply and demand. Every factor of production - land, labour, and capital is fairly remunerated. There is no question of exploitation because the masters have no control on the supply of labourers, and if the supply is restricted wage will certainly be high. Similarly, if the demand for corn does not rise more than the produce of the fertile lands, rent cannot rise. Similarly, if new markets are always found out profit will be fair. Malthus however, saw that accumulation of capital may result in a 'general gult' due to lack of consumption. He holds that if the accumulation of capital goes on after a certain limit than the production increases to such an extent that the labourers

with their low wages and the capitalists and the landlords with their parsimonious habits cannot purchase the quantity produced. The contention of Say, Mill and Ricardo that the commodities are exchanged for commodities and therefore there cannot be any general guilt is based on a fundamental error. They should in fact relate the commodities with the wants of the consumers, and if this is done there is bound to be deficiency of effective demand with the existing accumulation. He says ".. if we compare them, (i.e. commodities) as we certainly ought to do, with the numbers and wants of the consumers, then a great increase of produce with comparatively stationary numbers and with wants diminished by parsimony, must necessarily occasion a great fall of value estimated in labour so that the same produce, though it might have cost the same quantity of labour as before would no longer command the same quantity; and both the power of accumulation and the motive to accumulate would be strongly checked." 1 He suggests the maintenance of unproductive consumers and moderate division of landed property to augment effective demand and consequently smooth running of the capitalist society. Malthus however, does not condemn the landlord class. Maurice Dobb writes "Malthus inclined towards this opinion; and his doctrine of "effective demand" was clearly directed to the conclusion that landlords were not to be condemned as a class of unproductive consumers, but rather

to be praised as an element in the necessary balance of a healthy society; a balance between the accumulating instincts of the industrialists and the market for their products provided by a consuming class.¹

We can conclude that though Malthus' faith in the price mechanism to run the capitalist economy smoothly was not unlimited his faith that the machinery is not injurious to the interests of the labourers was conditional, yet the entire system is a well founded example of class-harmony. He has tried to convince Ricardo to rethink about the opinion of the class-conflict by arguing that improvements in agriculture are advantageous to the interest of the landlord class. He could not convince Ricardo. Professor Mohammad Shabbir Khan comments about the controversy, "It is not that they did not try to understand each other, they were too pre-occupied with their own systems to be able to understand one another".² Still he could maintain his system intact to prove class-harmony.

Edwin Cannon however points out a serious slip in the system when he writes, "The weak point in the explanation...".

and Malthus is that while they show clearly enough that the existence and use of capital is an advantage to production and that the whole advantage cannot be reaped by the capitalist, they failed to show why the advantage has to be paid for at all, why the services of capital are not like those of the sun, gratuitous.\footnote{1} This weakness proved to be sufficient to enable Karl Marx, to lump capital as instrument for producing surplus-value for the owner by means of exploitation of labour.

\footnote{1}{\textit{History of The Theories of Production and Distribution in English Political Economy (From 1776 to 1843),} (London, P.S. King & Sons, Ltd., 1924) p. 205.}
CHAPTER V

J.S. MILL
In John Stuart Mill the system of class-harmony breaks down when he distinguishes in the preliminary remarks of his *Principles of Political Economy* the laws of production from those of distribution. The laws of production partakes the nature of physical laws whereas the law of distribution are of human-make. "Unlike the laws of Production, those of Distribution are partly of human institution: Since the manner in which wealth is distributed in any given society, depends on the statutes or usages therein obtaining".¹ So at the beginning of Book II, he starts, "The laws and conditions of the Production of Wealth partake of the character of physical truths. There is nothing optional or arbitrary in them... It is not so with the Distribution of Wealth. That is a matter of human institution solely ... The rules by which it is determined are what the opinion and feelings of the ruling portion of the community make them,..."² In his Autobiography also, he writes, "This tone consisted chiefly in making the proper distinction between the laws of the production of wealth - which are real laws of nature, dependent on the properties of objects - and the modes of its Distribution, which subject to certain conditions,


². Ibid., pp. 199-200.
depend on human will.  

The existing arrangements of distribution are the outcome of a struggle and violence. Regarding the origin of private property he writes, "Private property, as an institution did not owe its origin to any of those considerations of utility which plead for the maintenance of it when established". 

The usages or laws of society gave legal effect to the first occupancy who, "by turning, or attempting to turn, another out of possession". While examining communism he admits that "The social arrangements of modern Europe commenced from a distribution of property which was the result, not of just partition, or acquisition by industry, but of conquest and violence: and not withstanding what industry has been doing for many centuries to modify the work of force, the system still retains many and large traces of its origin". 

In the rude state of society we find the origin of classes when, we see in the new arrangement,"... the population of each country may be considered as composed, in unequal proportions, of two distinct nations or races, the conquerors and the conquered: the first the proprietors of the land, the latter the tillers of it". The conquerors allowed the

3. Ibid., p. 201.  
4. Ibid., p. 207  
5. Ibid., p. 17.
occupation of the land in the hands in which they found it. "A common expedient was to assign to the serf, for his exclusive use, as much land as was thought sufficient for his support, and to make him work on the other lands of his lord whenever required". The form of lord and serf turned into Master and the Slave. Here exploitation of the slave starts, "The actual producers have been slaves, compelled to produce as much as force could extort from them, and to consume as little as the self-interest or the usually very slender humanity of their taskmasters would permit."

Accumulation of capital too, is not necessarily the result of industry and savings of the capitalist; but a similar outcome of violence and plunder. Mill traces, "In a rude and violent state of society, it continually happens that the person who has capital is not the very person who has saved it, but some one who, being stronger, or belonging to a more powerful community, has possessed himself of it by plunder." Even today the chapter of incidence of birth bestows rights in persons who have never worked or saved themselves. Mill is very much against the present arrangement in which industrious person suffers because he could not inherit from his forefathers. He, therefore, suggests, "Each person should have power to dispose by will of his or her whole property; but not to levish

1. Ibid., p. 241. 2. Ibid., p. 69. 3. Ibid., p. 69.
it in enriching some one individual, beyond a certain maximum, "

Thus, inequality of possessions, is the result of present set-

up. This also resulted in the eliminations of the smaller
capitalists. Mill writes, "When inequality of wealth once
commences, in a community not constantly engaged in repairing
by industry the injuries of fortune, its advances are gigantic,
the great masses of wealth swallow up the smaller". 2

Once again we note a remarkable change in the system
of J.S. Mill. Market mechanism may be decidedly called a
class-harmony, in the system of the classists. J.S.
Mill, however, saw the failure of competition in actual life,
because the inequality of wealth has spoilt the fair game
where every one cannot start alike. The usages of society
have created inequalities, "They have not held the balance
fairly between human beings, but have heaped impediments upon
some, to give advantage to others; they have purposely fostered
inequalities, and prevented all from starting fair in the race". 3

What competition can decide when the usages of society
has favoured one man against the other. Mill quotes the law
of inheritance as one of such laws. Again the tendency of
competitors is that they ruin their fellow beings by undersell-
ing in the market. This again results in the liquidation of
smaller capitalists and establishment of monopoly. Mill writes,

1. Ibid., p. 225.
2. Ibid., (Preliminary Remarks) p. 16.
"... they always end by agreeing not to compete. They may run a race of cheapness to ruin a new candidate, but as soon as he has established his footing they come to terms with him."¹ Thus competition results in the liquidation of smaller capitalists and establishment of monopoly. Mill writes, "After having consumed their little capital in prolonging the unsuccessful struggle, they either sink into the condition of hired labourers, or become dependent on others for support."²

Mill quotes, the system of rude society in which, "Rights thus originating, and not competition in any shape, determine, in a rude state of society, the share of the produce enjoyed by those who produce it."³ He criticises his predecessors who thought that competition exercises unlimited sway in the process of distribution, and clarifies that he was not referring the cases of natural monopolies but, "I speak of cases in which there is nothing to restrain competition; no hindrance to it either in the nature of the case or in artificial obstacles; yet in which the result is not determined by competition, but by custom or usage; competition either not taking place at all, or producing its effect in quite a different manner from that which is ordinarily assumed to be natural to it."⁴ It is usual to note, in retail trade, different prices in the market or even on a particular shop for different consumers.

¹. Ibid., p. 142.  ². Ibid., p. 135  ³. Ibid., p. 240  ⁴. Ibid., p. 239.
Apart from these stray thoughts of class conflict in the rude society we now see more specific cases in the modern set-up. The community comprises with the capitalist, landlord and labour class. The produce, therefore, is being distributed among these three classes only. "Each of these classes, as such, obtains a share of the produce: no other person or class obtains anything except by concession from them... These three classes, therefore, are considered in political economy as making up the whole community".¹

Out of the three requisites of production - land, labour and capital, labour is the only productive factor. So far as capital is concerned he terms that, "understanding by capital, the means and appliances which are the accumulated results of previous labour..."² Or "This accumulated stock of the produce of labour is termed capital".³ Thus, capital is nothing but the accumulated labour of the past. Sometimes, it may be noted that tools and materials may be termed as productive because they contribute, along with labour, to the accomplishment of production. Mill however, writes, "This is true; but it is also true that tools, buildings and materials, are themselves the produce of labour and that the only cause(cases of monopoly excepted) of their having any value, is the labour which is required for their production".⁴ Natural agents and specially

¹ Ibíd., p. 235.  
² Ibíd., p.235  
³ Ibíd., p. 55.  
land help in the production purposes, but here too, "considerable quantity of labour is generally required, not for the purpose of creating, but of finding and appropriating them". Even the wild animals of forest, and of the sea, from which the hunting and fishing tribes derive their subsistence - though the labour of which they are the subject is chiefly that required for appropriating them - must yet, before they are used as food, be killed, divided into fragments, and subjected in almost all cases to some culinary process, which are requiring a certain degree of human labour. Land though not the produce of human industry, most of its valuable qualities are so. Mill writes, "considerable labour is often required at the commencement, to clear the land for cultivation. In many cases, even when cleared, its productiveness is wholly the effect of labour and art... cultivation also requires buildings and fences, which are wholly the produce of labour".

Thus labour is the only productive factor. Mill summarises thus, "Labour alone is the primary means of production; "the original purchase-money which have been paid for everything". Tools and materials like other things, have originally cost nothing but labour; and have a value in the market only because wages have been paid for them. In the ultimate analysis, therefore, labour appears to be the only

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essential of production". 1

After declaring labourer the only productive factor, Mill noted another significant factor, namely the labour produce more than his subsistence wage paid by the capitalists. We note the exploitation of labourer by the capitalist when the entire surplus produce of labourer is pocketed by the capitalist. Defining the rate of profit Mill writes, "The profit of stock are the surplus which remains to the capitalist after replacing his capital: and the ratio which that surplus bears to the capital itself, is the rate of profit". 2 Thus, "In short, if we compare the price paid for labour and tools with what that labour and tools will produce, from this ratio we may calculate the rate of profit". 3 or " Profits, then (meaning not gross profits, but the rate of profit), depends (not upon the price of labour, tools and materials - but) upon the ratio between the price of labour, tools and materials, and the produce of them; upon the proportionate share of the produce of the industry which it is necessary to offer, in order to purchase that industry and the means of setting it in motion". 4 In nut shell, " that the ratio between the wages of labour and the produce of that labour gives the rate of profit". 5 Consequently, "the whole of the surplus, after replacing wages, is profit". 6

1. Essays, p. 94
2. Ibid., p. 89
3. Ibid., p. 92
4. Ibid., p. 93
5. Ibid., p. 94
6. Ibid., p. 94
In his principles of Political Economy Mill makes it clear that "The cause of profit is, that labour produces more than is required for its support". The labourers are forced to work for more hours to produce, besides their subsistence, a surplus for the capitalists. The capitalist advances the labourers with food, clothing, materials and tools and, "... if a capitalist supplies a party of labourers with these things on conditions of receiving all they produce, they will, in addition to reproducing their own necessaries and instruments, have a portion of their time remaining, to work for the capitalist".

One thing is remarkable in Mill’s system that the surplus produce is not the result of exchange system i.e. that the capitalist purchases cheap labour and sells dear the produce of the labourer, but it a material surplus. Mill writes, "... the general profit of the country is always what the productive power of labour makes it, whether any exchange takes place or not". For example, if the labourers produce twenty per cent more above their subsistence the rate of profit will be twenty per cent. And, "The accidents of price may for a time make one set of producers get more than the twenty per cent, and another less, the one commodity being rated above its natural value in relation to other commodities, and the other below, until prices have again adjusted themselves; but

2. Ibid., p. 411.
3. Ibid., p. 411.
there will always be just twenty per cent divided among them all ¹ J.S. Mill thus arrives at a conclusion with Ricardo that rate of profit depends on wages; rising as wages fall, and fall as wages rise. He, however, carries out an amendment to this statement and writes, "I must insist upon making a most necessary alteration in its wording. Instead of saying that profits depend on wages, let us say (what Ricardo really meant) that they depend on the cost of labour". ²

J.S. Mill, however, justifies the appropriation of the surplus produce of labourer by the capitalist as a reward for his absentiness. The capitalist does not consume the savings, and will have no interest in advancing it to the labourers if he does not receive it in an increased amount. He justifies, "If the labourers were possessed of them, they would not need to divide the produce with anyone; but while they have them not, an equivalent must be given to those who have, both for the antecedent labour, and for the absentinence by which the produce of that labour, instead of being expended on indulgences, has been reserved for this use". ³

We may agree with J.S. Mill, but we should not neglect the other part of the problem. Whether the producer of the surplus produce gets due share from the produce, is a vital

question to decide the exploitation of the labourer. Mill writes that wages depend upon the wage-fund and the number of labourers competing for jobs. Capitalists have, therefore, nothing to do but to award the market value to the labourers. We should note that the labour is a weaker section of the society and the capitalists privileged and stronger. Mill expresses, "The generality of labourers in this and most other countries have as little choice of occupation or freedom of locomotion, are practically as dependent on fixed rules and on the will of others, as they could be on any system short of actual slavery, i...".¹

In these circumstances, nobody can expect the labourers to compete equally with the capitalists. Moreover, Mill never believed that competition had exclusive sway in the distribution process. He regards customs and usages of society more important. In the present state of society customs have favoured incidence of birth and hence the distribution is not fair. While discussing communism he comments on the present mode of distribution thus, "If therefore, the choice were to be made between communism with all its chances, and the present(1852) state of society with all its sufferings and injustices; if the institution of private property necessarily carried with it as a consequence, that the produce of labour should be apportioned as we now see it, almost in an inverse ratio to

¹. Ibid., p. 209.
the labour - the largest portions to those who have never worked at all, the next largest to those whose work is almost nominal and so in descending scale, the remuneration dwindling as the work grows harder and more disagreeable, until the most fatiguing and exhausting bodily labour cannot count with certainty on being able to earn even the necessaries of life; if this or communism were the alternative, all the difficulties, great or small, of communism would be but as dust in the balance.".

The producer of the surplus has been reduced to the subsistence level. Mill writes, ".. and that wages in any country are habitually at the lowest rate...". The tendency of wages in the present set-up is to come to the level of subsistence or habitual requirements of the labourers and "wages never fall permanently below the standard of these requirements, and donot long remain above that standard". The capitalists are assisted in their mission to keep the wages low, by the laws of the country which prohibit combinations of labourers to raise wages. Mill writes, "so long as combinations to raise wages were prohibited by law, the law appeared to the operatives to be the real cause of the low wages which there was no denying that it had done its best to produce". J.S. Mill questions the validity of these laws

1. Ibid., pl 207.
3. Ibid., p. 931.
4. Ibid., p. 932.
in the present state of society where, ".. poor labourers who have to do with rich employers, remain long without the amount of wages which the demand for their labour would justify, unless, in vernacular phrase, they stood out of it in and how can they stand out for terms without organised concert?" 1

To reduce the imbalance of capitalists and labourers, Mill wants the workers to unite and form trade unions to fight for the just share in the produce. He writes, "I do not hesitate to say that associations of labourers, of a nature similar to trade unions, far from being a hindrance to a free market for labour, are the necessary instrumentality of that free market; the indispensable means of enabling the sellers of labour to take due care of their own interest under a system of competition". 2 In the preface to the 3rd edition (1852) Mill condemns the present mode of distribution in which the fruits of labour are not appropriated by the labourers properly. He writes, "It appears to me that the great end of social improvement should be to fit mankind by cultivation for a state of coeity combining the greatest personal freedom with that just distribution of the fruits of labour, which the present laws of property do not profess to aim at". 3

It has been alleged that the labourers are themselves responsible for this exploitation. They should control their

Population, increase their power to compete with the capitalist and get due share from the produce. J.S. Mill though writes that nothing permanently be done to improve the condition of the working class by anybody but the labourers themselves, yet he expresses on the other hand that, "If bulk of the human race are always to remain as at present, slaves to toil in which they have no interest, and therefore feel no interest - drudging from early morning till late at night for bare necessaries, and with all the intellectual and moral difficulties which that implies - without resources either in mind or feelings - untaught, for they cannot be better taught than sad; selfish, for all their thoughts are required for themselves; without interest or sentiments as citizens and members of society, and with a sense of injustice rankling in their minds, equally for what they have not, and for what others have; I know not what there is which should make a person with any capacity of reason, concern himself about the destinies of the human race".  

Again, there is a clash of interest between the capitalists and the labourers. Their pecuniary interests are inversely related. A fall of wages will add to the profits, and a rise of wages will definitely be at the expenses of profits. We have already discussed that the profits of the capitalists are nothing but the surplus produce of the labour over and above his subsistence. Whenever, the cost of subsistence increases, lesser surplus is left for the capitalists. Mill

1. Ibid., p. 367.
expresses, ".. profits, in the last resort, depend upon the
cost of labour, falling as that rises, and rising as it
falls". The testimony of this statement can be verified
from the 'Principles of Political Economy' where Mill discusses
law of profits. We note that whenever population increases
and presses to resort cultivation on inferior lands, the price
of food rises. The rise in the price of foodgrains consequently
results in the rise of wages, because the labourers now
require more money wages to keep his subsistence level. Mill
writes, ".. money wages depend on the money price, and therefore,
on the cost of production, of the various articles which the
labourers habitually consume... of these articles, food and
other agricultural produce are so much the principal, as to
leave little influence to anything else". Now the labourers
have to work for more hours to earn their subsistence and hence,
they work for lesser hours for the capitalists. The reverse
shall be the case when the cost of labour cheapens due to a
fall of the price of foodgrains. Mill summarises, ".. increased
wages .. are always and necessarily at the expense of profits.
And by reversing the cases, we should find in the manner that
diminished wages ... are equivalent to a rise of profits" or
"A rise of general wages falls on profits. There is no
possible alternative".

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2. Ibid., pp. 696-697.
3. Ibid., pp. 699-700.
4. Ibid., p. 699.
Lastly, the clash of interest of capitalists and labourers is once again noted in the introduction of machines. It is always beneficial to the masters and injurious to the labourers. Whenever the capitalists increase fixed capital at the expense of circulating capital, the amount of wage fund is reduced. The capitalists have lesser power to purchase the labour and hence employment opportunities are diminished, the existing labourers are also kicked out of employment. Mill writes, "... all increase of fixed capital, when taking place at the expense of circulating, must be, at least temporarily, prejudicial to the interests of the labourers."

Those who believe that machinery can never be injurious to the labouring class argue that by cheapening production, it creates such an increased demand for the commodity that enables greater number of persons than ever to find employment in producing it. The argument carries a weight for we see that copyists who were thrown out of employment by the invention of printing, were doubtless soon out numbered by the compositors and pressmen who took their places. Again the number of labouring persons now occupied in the cotton manufacture is many times greater than were so occupied previously to the inventions of Hargreaves and Arkwright. These case show that besides the enormous fixed capital now embarked in the manufacture, it also employ a far greater circulating capital than in any formal times.

Mill, however, questions the argument thus, "But if this capital was drawn from other employments; if the funds which took the place of the capital sunk in costly machinery, were supplied not by any additional saving consequent on the improvements, but by drafts on the general capital of the community; what better were the labouring classes for them mere transfer? In what manner was the loss they sustained by the conversion of circulating into fixed capital made up to them by a mere shifting of part of the remainder of the circulating capital from its old employments to a new one?" 1 Hence he remarks, "All attempts to make out that the labouring classes as a collective body cannot suffer temporarily by the introduction of machinery, or by the sinking of capital in permanent improvements, are, I conceive, necessarily fallacious." 2

It is once again argued that though employment is withdrawn from labour in one department an exactly equivalent employment is opened for it in others. The consumers save due to cheapness of commodity in one industry which will naturally augment their demand for the other. J.S. Mill does not agree once again because the demand for a commodity is not a demand for labour. It decides the mode of production. Moreover, "It is true, the consumers have now additional means of buying other things; but this will not create the other things, unless there is capital

1. Ibid., p. 96.
2. Ibid., p. 96.
to produce them, and the improvement has not set at liberty any capital, if even it has not absorbed some from other employments.¹ Secondly, "... the increased demand for commodities by some consumers, will be balanced by a cessation of demand on the part of others, namely, the labourers who were superseded by the improvement...".²

Mill does not find the introduction of machinery injurious to the interest of the labourers in the long period. It is only when it is introduced suddenly and rapidly. In actual practice, however, improvements are carried out slowly and gradually and seldom or never made by withdrawing circulating capital from actual production. They are carried out from the annual increase of capital.

It is interesting to note that Mill though thinks that introduction of machinery is not injurious to the interest of labourers in the long run, yet doubts the motives of the capitalists who, for their gains, increase the amount of fixed capital by converting the circulating capital or they may carry out the improvements rapidly. He, therefore, entrusts the work on the government and writes, "If the sinking or fixing of capital in machinery or useful works were ever to proceed at such a pace as to impair materially the funds for the maintenance of labour, it would be incumbent on legislatures

¹. Ibid., p. 96.
². Ibid., p. 97.
to take measures for moderating its rapidity: and since improvements which do not diminish employment on the whole, almost always throw some particular class of labourers out of it, there cannot be a more legitimate object of the legislator's care than the interests of those who are thus sacrificed to the gains of their fellow citizens and of posterity.¹

Mill, in the end saw the machines in the practice of saving labour and enriching the capitalist class but adding nothing to the labour class. His remark is worth quoting, "They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number of manufacturers and others to make fortunes. They have increased the comforts of the middle classes. But they have not yet begun to effect those great changes in human destiny, which it is in their nature and in their futurity to accomplish."²

Besides the above traces of class-conflict, we can verify more instances from the general remark of J.S. Mill about the interests of the two classes of labourers and the capitalists. He writes, "All privileged and powerful classes, as such, have used their power in the interest of their own selfishness, and have indulged their self-importance in despising, and not in lovingly caring for, those who were, in their estimation, degraded, by being under the necessity of working for their benefit."³ Again " One may be permitted to doubt whether, except

¹. Ibid., p. 99.  
³. Ibid., p. 760.
among the poor themselves (for whose prejudices on this subject there is no difficulty in accounting) there has ever yet been, in any class of society, a sincere and earnest desire that wage should be high. There has been plenty of desire to keep down the poor-rate; but, that done, people have been very willing that the working class should be ill off. Nearly all who are not labourers themselves, are employers of labour, and are not sorry to get the commodity cheap. The labourers regard the interests of their master hostile to their own. A remarkable narration of J.S. Mill runs thus, "The working classes have taken their interests into their own hands, and are perpetually showing that they think the interests of their employers not identical with their own, but opposite to them." Consequently, the relations are unsatisfactory to the payers of wages as well as to the receivers. And, "The total absence of regard for justice or fairness in the relations between the two, is as marked on the side of employed as on that of the employers." And, "If the rich regard the poor, as by a kind of natural law, their servants and dependents, the rich in their turn are regarded as a mere prey and pastur for the poor; ..." While discussing the question regarding co-operation of labourers among themselves, Mill admits the cooperation will be beneficial in, "the healing of the standing feud between capital and labour; the transformation of human

4. Ibid., p. 767.
life, from a conflict of classes struggling for opposite interests, to a friendly rivalry in the pursuit of a good common to all, ..".¹

We now discuss the clash of interest of the landlords with rest of the community. J.S. Mill is exceptionally critical towards the landlords. He has emphasized that the only class which benefit without efforts and work, is that of the landlord. They reap where they have not sown. Examples of such remarks are as follows: " the greatest "burthen on land" is the landlords. Returning nothing to the soil, they consume the whole produce, minus the potatoes strictly necessary to keep the inhabitants from dying of famine; and when they have any purpose of improvement, the preparatory step usually consists of not leaving even this pittance, but turning out the people to beggary if not to starvation. When landed property has placed itself upon this footing it ceases to be defencible, and the time has come for making some new arrangement of the matter".² And, "Great landlords are everywhere on idle class, or if they labour at all, addict themselves only to the more exciting kinds of exertion; that is lion's share which superiors always reserve for themselves".³ Once again, "Landed proprietors are the only class, of any numbers or importance,

¹. Ibid., p. 792.
³. Ibid., pp. 248-49.
who have a claim to a share in the distribution of the produce. through their ownership of something which neither they nor any one else have produced". Similarly, "They grow richer, as it were in their sleep, without working, risking, or economizing. What claims have they, on the general principle of social justice, to this access of riches? In what would they have been wronged if society had, from the beginning, reserved the right of taxing the spontaneous increase of rent, to the highest amount required by financial exigencies?" He sees no objection in taxing the income which constantly tends to increase, without any exertion or sacrifice on the part of the owners because, "This would not properly be taking anything from anybody; it would merely be applying an accession of wealth, created by circumstances to the benefit of society, instead of allowing it to become an unearned appendage to the riches of a particular class". He is highly critical when wants that land should never become private property because, "it would be the height of injustice to let the gift of nature be engrossed by individuals". Again because, "it is some hardship to be born into the world and to find all nature's gifts previously engrossed and no place left for the new-comer". and, "whoever owns land, keeps others

3. Ibid., p. 819.
5. Ibid., p. 230.
out of the enjoyment of it".  

Leaving aside the above general remarks we see from the system of J.S. Mill that the interest of the landlord does not coincide but conflict with rest of the society. As we know, rent which any land can produce is the excess of its produce, beyond what would be returned to the same capital if employed on the less fertile land. Whenever population increases, new demand is created for food and consequently cultivation expands on less fertile lands. The extra food will not be produced until its price rise at least to meet the expenses of the capital plus ordinary profit. All the superior lands produce extra profits, but the same are transferred to the landlord as the rent of the land. "Rent, in short, merely equalises the profits of different farming capitals, by enabling the landlord to appropriate all extra gains occasioned by superiority of natural advantages".  

On the other hand whenever demand for food declines or some improvements are made to produce more food from the same land, inferior lands are abandoned which consequently reduces the difference between different grades of land, the amount of rent diminishes. Mill writes "a diminution of the cost of living,... usually lowers .. rent".  

The rise of price of foodgrains, due to increased demand benefits the landlord doubly because, "rent in kind, or corn rent, will rise; 

1. Ibid., 232.  
3. Ibid., p. 788.
and in the second, since the value of agricultural produce has also risen, rent, estimated in manufactured or foreign commodities (which is represented, ceteris paribus, by money rent) will rise still more. Therefore, the interest of the landlord is best served when an increase in the population lead to an increase in the demand of foodgrains which again raise the price of foodgrains. The only class which is benefited due to increase of population.

It may be said that the capitalist class should also be interested in the increase of population. An increase in the number of labourers reduce the wage-level and hence may increase the profits of the capitalists. But the facts are otherwise. It is in the best interest of the capitalist class that the price of foodgrains should diminish. He know that his profits depend upon the cost of labour. Whatever increases the cost of labour diminishes wages and vice-versa. But, "The progress of population may force down cultivation to inferior soils, and more costly processes; thus raising the cost of production, the value, and price, of the chief articles of the labourer's consumption... the rate of profit will fall."

The injury to the capitalist class is two-fold. The general tendency of manufacturing industry is the operation of the law of increasing returns or diminishing cost. The price of the produce diminishes with every increase of the produce. Mill writes that the law for agricultural industry is of

1. Ibid., p. 721.  
2. Ibid., p. 698.
diminishing returns or increasing cost. Thus, "It follows that the exchange values of manufactured articles, compared with the products of agriculture and mines, have, as population and industry advance, a certain and decided tendency to fall".¹

Thus, in the first instance his money profit is diminished due to an increase of wages and in the second place his real profits or command on commodities is diminished. He real as well as money profits are reduced.

So far as the labourers are concerned they do not enjoy the benefit of an increase of their money wages because in the race of price of foodgrains and money wages, former increases in greater amount as compared to the latter. The money wages never rise to the same extent of the increased cost of subsistence. His condition deteriorates due to increase of population and secondly due to lesser command on foodgrains. Thus, Mill concludes, that the landlord is only the class in the society, "who always benefits by an increase of population".² We can add that the other two classes are injured by the same cause of the increase of population. Therefore, to quote Mill once again "The economic progress of a society constituted of landlords, capitalists, and labourers, tends to the progressive enrichment of the landlord class; while the cost of labourer's subsistence tends on the whole to increase, and profits to fall."³

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¹ Ibid., p. 713.
² Ibid., p. 722.
³ Ibid., p. 731.
Now, in the end, let us discuss whether agricultural improvements are injurious to the landlord class. The improvement, we may see, increase the productive power, and hence more food is grown upon the same land. This may result in the abandonment of inferior lands. The amount of rent diminishes. Therefore, "It thus appears, that the interest of the landlord is decidedly hostile to the sudden and general introduction of agricultural improvement." He however, corrects the words of Ricardo and concludes with him that, "If the increase of produce took place simultaneously on all lands, the price would not be so high as before; and there is nothing unreasonable in supposing that the landlords would be, not benefitted, but injured."  

Mill however, finds that the long term phenomenon is not injurious to the interest of the landlord. Firstly because agricultural improvements are not introduced suddenly and secondly, "Population almost everywhere treads close on the heels of agricultural improvement, and effaces its effects as fast as they are produced." Again the same circle of the increase of population, increased demand for foodgrains, resort to less fertile lands, increase of rent. Thus Mill summons "The reason why agricultural improvement seldom lowers rent, is that it seldom cheapens food, but only prevents it from growing dearer; and seldom, if ever, throws land out of cultivation, but only enables worse and worse land to be

1. Ibid., p. 726.  
2. Ibid., p. 727.  
3. Ibid., p. 729.
taken in for the supply of an increasing demand". 1 We should however read Mill's mind who repeats and decide that "It is admitted that whatever permanently reduces the price of produce diminishes rent; and it is quite in accordance with common notions to suppose that if, by the increased productiveness of land, less land were required for cultivation, its value, like that of other articles for which the demand had diminished, would fall. 2

We can conclude that J.S. Mill's system supports the idea of class-conflict. There is a clash of interest between the two proprietor classes - the landlords and the capitalists. Mill faithfully follows Ricardo. Mohammad Shabbir Khan has written, "In spite of all that the basic principles of economics remain the same as those of the "greatest political economists" i.e. Ricardo. 3 Mill starts that the complicated problems of industrial life cannot be properly understood without first understanding the theory of rent as enunciated by Ricardo. He has given a parallel theory of rent to that of Ricardo. He thinks that whatever increases the price of foodgrain raises the amount of rent. Therefore, it is in the interest of the landlord that cost of producing corn must increase. It incidently injures the capitalist class because increase of the price of foodgrain necessitates an increase in the money wages of the labourers.

1. Ibid., pp. 729-30. 2. Ibid., p. 727.
3. Khan, Mohammad Shabbir R Ricardo's Theory of Distribution" Faculty of Arts Publication Series-4, Muslim University, Aligarh(India), p. 142.
Consequently profits fall. J.S. Mill has also supported that improvement in agricultural industry temporarily injures the landlords, because anything which can check the operation of the law of diminishing returns will also check the rise of rent because it will diminish the surplus between the no-rent land and the superior variety of lands. Like Ricardo he states "As formerly observed, there are two kinds of agricultural improvements. Some consist in a mere saving of labour, and enable a given quantity of food to be produced at less cost, but not on a smaller surface of land than before. Others enable a given extent of land to yield not only the same produce with less labour, but a greater produce; so that, if no greater produce is required, a part of the land already under cultivation may be dispensed with ... By the former of the two kinds of improvement, rent would be diminished. By the second, it would be diminished still more". Like Ricardo he supports that in the long run, however, the landlords are ultimately benefitted.

Likewise Mill, thinks that the introduction of machinery is injurious to the interest of the labourers for a short period, because it throws the labours on the street. However, in the long run greater demand is created. We must however, note that Mill's discussion is more critical about the introduction of machine. He finds that it had already helped a few to role in

wealth but has done nothing to increase the lot of the workers. He is always doubtful about the plans of the capitalist class. Therefore, in the long run also he entrust the state with the task of check the capitalists not to convert the circulating capital into the fixed and to protect the interest of the workers which has been hitherto sacrificed for the sake of the capitalists.

It is no doubt correct that Mill also associates the wages of labourers with the price of the foodgrains and hence Maurice Dobb comments, "and J.S. Mill to state that the rate of profit depended uniquely on the proportion of the produce going to labour." One may infer that there is no clash of interest between the labour and the capitalist because the wage-rate is associated with the difficulty of produce corn. But we must see that Mill was very much influenced by socialism. He was keen to sympathise with the workers. No doubt that like the earlier classical writers he also thinks that labour produces more than the advances paid to them. Also that the prudential habits of the workers themselves will produce better results - high wages. His language is more critical than any of the earlier writes. He no doubt advances argument of abstinence for the appropriation of profits by the

capitalist class. He is not sure whether he has done justice with the labourers. He therefore changes his thinking and terms labourer the only productive class. Cannon writes, "In this passage J.S. Mill is evidently looking at the question simply from the Ricardian standpoint. Profits appear to be a mere surplus over and above wages and a surplus which has nothing whatever to do with my service or usefulness of capital". Moreover, capital is the result of plunder force originated from the early stage of society and new simply a stored labour of past.

He saw a conflict in the interest of the capitalist and the workers. He criticised the law of private proprietorship, praised socialistic theories and even communism in comparison to the contemporary mode of affairs. He advances his individualist socialist programme. He had no faith in the universality of the law of perfect competition. T.W. Hutchison writes, "J.S. Mill sternly rebuked Lowe in parliament for exalting laissez-faire into a universal and established principle of political Economy, and there are certainly enough proposals outline in Mill's Principles to make up a thorough going programme of socialistic reform".

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He is the first thinker before Marx amongst the classists who has traced the phenomenon of class-conflict from the early stage of society between conquered and the conquerors, and the owners of property and the non-possessors of property and the non-possessors of property, Master and the slaves to the capitalist society, between the capitalists and the workers.

It is therefore, clear that Mill's system shows a class-conflict between the two proprietor classes and also between the labour and the capitalist class. It is however seen that he was more critical towards the landlord class than the capitalist class. Again, there is no doubt that Mill worked on the same principles which his forefathers - Adam Smith and Ricardo, chalked out, still there can be no doubt also that Mill deviated from them and was inclined towards the new trend - socialism - The one was the fruit of inheritance and the other gift from his Mrs. Taylor.
CHAPTER VI

KARL MARX
In the masterpiece book on class conflict - 'Manifesto of the Communist party' Marx and Engles open, "The history of all hitherto existing society is the history of class struggles". They specially point out that this struggle has been carried on between ''Freeman and Slave, patrician and plebeian, lord and serf, guildmaster and journeyman, in a word, oppressor and appressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended, either in a revolutionary reconstitution of society at large, or in the common ruin of the contending classes".

To understand the concept of class-conflict fully one must know in brief the dialectical materialism of Karl Marx, as his friend and co-author - Engles wrote, (Historical materialism is ) "that view of the course of history, which seeks the ultimate cause and the great moving power of all important historical events in the economic development of society, in the changes in the modes of production and exchange, in the consequent division of society into distinct classes, and in the struggles of

1. Manifesto of the Communist Party (Foreign Language Publishing House, Moscow, 1957), p. 46 (Hereafter referred to 'Manifesto')

2. Ibid., p. 47.
these classes against one another".

Marx's conception of history is known by a variety of names, of which the most common are the materialist conception of history, historical materialism, the economic interpretation of history and economic determinism. Marx has, no doubt, taken the dialectical method from Hegel, but his approach is quite different. In the preface to Capital Vol.I he wrote, "My dialectic methods is not only different from Hegalian, but is its direct opposite. To Hegal, the life process of the human brain, i.e., the process of thinking, which, under the name of "the idea", he even transforms into an independent subject, is the demiurgos of the real world, and the real world is only the external, phenomenal form of "the idea". With me, on the contrary, the ideal is nothing else than the material world reflected by the human mind, and translated into forms of thought".2 Thus, in the Preface to the Critique of Political Economy he writes, "It is not the consciousness of men that determines their being, but, on the contrary, their social being that determines their consciousness."3

He agrees with Hegel that men make their own history but differs in the approach in his 'The Eighteenth Brumaire of Louis Bonaparte' thus, "Men make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past".¹

Marx's dialectical materialism may be briefly summarised as follows:

Marx called the underlying economic forces - the modes of production or productive forces, and these constitute the economic foundation which is said to determine the entire superstructure of society. This productive force or mode of production shape the conditions of social, political and intellectual life process of the society as a whole.²

Corresponding to any particular set of modes of production there are appropriate relations of production or property relations. Thus, "In the social production of their life, men enter into definite relations that are indispensable and independent of their will, relations of production which correspond to a definite stage of development of their material productive forces."³

¹ Works. Vol. I, p. 225
³ Ibid., p. 328
The modes of production gradually change and come into conflict with the existing and more static property relations. In his words, "At a certain stage of their development, the material productive forces of society come in conflict with the existing relations of production or what is but a legal expression for the same thing - with the property relations within which they have been at work hitherto." These conflicts create revolutions and change in the entire superstructure of society.

The historical conflict expresses itself in practice in the form of a class struggle, so that the "history of all hitherto existing society is the history of class struggles".

To sum up, we can say that the whole thesis of Marx dialectical materialism can be reduced to, firstly - mode of production as a foundation-stone of the form of society and secondly, the dialectical phenomena brings in its train the phenomenon of class conflict. The classes, their relations with each other, their interests etc., are thus, determined by the mode of production.

Marx has tested his thesis of dialectic materialism on all the stages of human societies. In the Preface to the Critique of Political Economy he divides the economic formation of society "In broad outlines Asiatic, ancient, feudal, and modern bourgeois modes of production..." 1, 2

very important point to note is that in communist Manifesto, Marx recognises only three forms of class society: the slave society of antiquity, feudalism and bourgeois society.

We must note here that Marx and Engels observations on pre-capitalist epochs rest on far less thorough study than Marx's description and analysis of capitalism. Marx concentrated his energies on the study of capitalism, and he dealt with rest of history in varying degrees of detail, but mainly in so far as it bore on the origin and development of capitalism. However, their work German Ideology of 1845-6 is a good source of pre-capitalist society. One more important source is Marx's unpublished work, "Formen die der Kapitalistischen Produktion Vorhergehen (über den prozess der der Bildung des Kapital verhaltnisses order der urspring - lichen Akkumulation vorhergeht)."

The first form of human society is known as communal corresponded to the underdeveloped stage of production where a people sustaines itself by hunting, fishing, cattle raising or at most by farming. Broadly, speaking, there are now three or four alternative routes out of the primitive communal system, each representing a form of the social division

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of labour already existing or implicit within it: the oriental, the ancient, the Germanic and a somewhat shadowy Slavonic which is not further discussed, but has affinities with the Oriental.

The ancient stage is a stage of classless society. Every member of the community is an important and equal link in the chain. The tribes, communes are interlinked. The purpose of labour is not the creation of value, but "Its purpose is the maintenance of the owner and his family as well as of the communal body as a whole" where private property co-exist with the independent individuals, the unity of the society is preserved in the common pride - 'the safeguard of ager publicus'. We must however, note that in this classless society the common unity is positive as in the oriental mode, but sometimes it is negative as in the ancient and the Germanic mode. The absence of classes naturally leads to harmony and hence there is no question of class conflict.

The Primitive stage could not keep pace with the growing needs, and was followed by the next stage of human history known as the slavery-system. The increase in population compels the primitive mode of production to change and with the change in the mode of production the

1. Economic Formation, p. 68.
former relations are transferred in the new one. For example, "Once the city of Rome had been built and its surrounding land cultivated by its citizens, the conditions of the community were different from what they had been before". The increase in population increases the burden on land and "If this is to be overcome, colonisation will develop and this necessitated war of conquest. This leads to slavery, etc., also, e.g., the enlargement of the ager Publicus, and hence to the use of the Patricians, who represent the community". Thus "With the conquering barbarian people war itself is still, ... a regular form of intercourse, which is the more eagerly exploited as the population increases, involving the necessity of new means of production to supersede the traditional and, for it, the only possible, crude mode of production".

The foundation of the production relations of this system was private property not only of the means of production but also of the workmen themselves — of slaves. The community is now divided into antagonistic classes — the class of slave-owners and the class of slaves. "... a tribe conquered and subjugated by another becomes propertyless and the part of the inorganic conditions of the conquering tribes

1. Ibid., p. 92.
2. Ibid., pp 92-93.
reproduction, which that community regards as its own. The epoch of slavery placed terrible burdens and hardships on the working people. "The lowest interests - base greed, brutal sensuality, sordid avarice selfish plunder of common possession - usher in the new, civilised society, class society; the most outrageous means - theft, rape, deceit and treachery - undermine and topple the old, classless, gentile society." Thus Engles describes the period of transition from the primitive communal system to that of slavery.

The class-conflict and the brutal exploitation of the slaves evoked bitter opposition on their part. In order to crush this opposition a special apparatus of coercion - the state, had to be created in place of the former tribal institutions of administration. "As the state arose from the need to hold class antagonism in check, but as it arose, at the same time, in the midst of the conflict of these classes, it is, as a rule, the state of the most powerful, economically dominant class, which, through the medium of the state, becomes also the politically dominant class and thus acquires new means of holding down and exploiting the oppressed class." or "the state is an organisation of the possessing class for its protection against the non-possessing class".

1. *Formen* (Quoted in *Economic Formations*) p. 91
Nevertheless the slave system was an important step forward in human progress. It brought a full development of the social division of labour - between agriculture and town crafts, and also between the various branches of handicrafts. In its turn, the division of labour entailed specialisation, improvement of tools, and an increase in skills. The class-conflict is seen in the antagonism of town and country; later the antagonism between those states which represents town interests and those which represent country, and inside the towns themselves the antagonism between industry and maritime commerce. The class relations between citizens and slaves is now completely developed.

The slave mode of production soon exhausted its capacity for further development of society. Having in their possession cheap slave-labour, the slave-owners never made efforts to improve the instruments of production. On the other hand, as the slave had no personal interest in his labour, never bothered to become more and more economical and efficient. This brought the old mode of production in contradiction with the growing needs of productive forces. The system was replaced by a new formation - the feudal mode of production.

The foundation of the production relations of this system lies in the feudal lord's ownership of the means of production primarily of land. The peasants depended on the
feudals, but were no longer completely their property. The feudals had the right to the labour of the serfs, and the latter were bound to the soil and were obliged to do service to their lords "The relation of retainers to their lords, or that of personal service, is essentially different... The appropriation of another's will is presupposed in the relationship of domination. Being without will, like animals, may indeed render services, but their owner is not thereby lord and master."

The special character of the production relations opened new possibilities for the growth of productive forces. The producer - serfs, had a definite material interest in the results of his work. Accordingly, he no longer broken or spoiled his tools, but on the contrary, looked after them carefully and went out of his way to improve them.

The replacement of the slave production relations by feudal system brought about changes in the whole structure of society. The principal change was the class structure. The feudals - the owners of land, became the ruling class. The other basic class was of the serfs. The relations between these two classes were antagonistic in character and based on an irreconcilable opposition of class-interests. The serfs were cruelly exploited. Besides, contributions in kind and cast, they were compelled to render personal services to the lords, for which they received no reward. Here the

1. The German Ideology (Ibid., p. 125)
main incentive to work was fear of punishment, of physical violence, and also of the danger of losing all the personal property. "The hierarchical system of land ownership, and the armed bodies of retainers associated with it, gave the nobility power over the serfs".  

Compared with that of the slave society, the class struggle in feudal society rises to a higher level. Peasants uprising sometimes embrace large territories. The strength of the peasant's resistance to the feudals is shown by peasant wars which shock one country after another: War Tyler's Rebellion in England (14th century), The Jacquirie in France (14th and 15th centuries), The Peasant war in Germany (16th century) the uprising of Bolotnikov and Razin (17th century) etc.

The feudal organisation of land-ownership had its counterpart in the towns in the shape of cooperative property, the feudal organisation of trades. Here property consisted chiefly in the labour of individual person. "The necessity for association against the organised robber-nobility, the need for communal covered markets in an age when the industrialist was at the same time a merchant, the growing competitions of the escaped serfs swarming into rising towns, the feudal structure of the whole country:

1. The German Ideology (Ibid., p. 125).
these combined to bring about the guilds.\footnote{Ibid., p. 126} and "Further, the gradually accumulated capital of individual craftsmen and their stable numbers, as against the growing population, evolved the relation of journeyman and apprentice, which brought into being in the towns a hierarchy similar to that in the country.\footnote{Ibid., p. 126}"

The greatest division of material and mental labour is the separation of town and country. "It is the most crass expression of the subjection of the individual under the division of labour, under a definite activity forced upon him - a subjection which makes one man into a restricted town-\textit{animal}, the other into a restricted country-\textit{animal}, and daily creates anew the conflict between their interests.\footnote{Ibid., p. 127} This must have been the cause of the separation of capital and landed property, as the beginning of the existence and development of capital independent of landed property."

In the towns itself the seeds of class-conflict and antagonism were sown. The serfs, seeking for their independence from the yoke of the feudal lords, pulled towards the towns. "These serfs, persecuted by their lords in the country, came separately into the towns, where they found
an organised community, against which they were powerless in which they had to subject themselves to the station assigned to them by the demand for their labour and the interest of their organised urban competitors." The guild masters bent them to their will and organised them according to their interest, if their labour was not such as had to be learned, and therefore, not as the guild type, they became day-labourers. Thus "The journeymen and apprentices were organised in each craft as it best situated the interest of the masters? The journeymen were interested to become masters themselves, and hence they organised revolts against the whole system of the guilds. But,"revolts which remained completely ineffective because of their powerlessness, the journeymen never got further than small acts of insubordination within separate guilds,..." 

Thus, the feudal system consisted on the one hand the landed property with serf labour chained to it; and on the other hand the individual labour with small capital commanding the labour of journeymen. The conditions of production were not fully developed because of the small-scale and primitive cultivation of the land, and the craft type of industry. The division of labour was also primitive.

1. Ibid., p. 128
2. Ibid., p. 129.
3. Ibid., p. 129.
However, there was a conflict in the country and town interests. In country itself there was a class conflict between the lord and serf, and in the towns between guild-master and the journeymen.

In the course of time the feudal mode of production came into conflict with the growing needs of the time. As it is well known that in "the Middle Ages the citizens in each town were compelled to write against the landed nobility to save their skins".\(^1\) Trade extended and the towns entered into relations with one another, new tools were brought from one town into the other and the separation between production and commerce soon called forth a new division of production between the individual towns, each of which is soon exploiting a predominant branch of industry. The local restrictions of earlier times began gradually to be broken down. These towns united themselves for the common interests in the struggle with the feudal nobility. "Out of the many local corporations of burghers there arose only gradually the burgher class".\(^2\) This may be called a prelude for the capitalistic form of production, because "From the serfs of the Middle Ages sprang the chartered burghers of the earliest towns. From these burgesses the first elements of the bourgeoisie were developed.".\(^3\)

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1. Ibid., p. 131  
2. Ibid., p. 131  
Thus the feudal mode was out of date. "At a certain stage in the development of these means of production and of exchange, the conditions under which feudal society produced and exchanged, the feudal organisation of agriculture and manufacturing industry in one word, the feudal relations of property became no longer compatible with the already developed productive forces, they became so many fetters. They had to be burst as under; they were burst as under".  

Feudalistic mode of production gave birth to capitalistic mode of production which ultimately resulted in the birth of capitalistic society. Marx wrote "The economic structure of capitalistic society has grown out of the economic structure of feudal society. The dissolution of the latter set free the elements of the former". The expending needs for trade with other towns gave birth to manufacturing system and "The guild-masters were pushed on one side by the manufacturing middle class; division of labour between the different corporate guilds in the force of division of labour in each single workshop". This resulted in the separation of production and commerce and in the formation of a special class of merchants. Discoveries of new countries and colonisation expended the sway of bourgeoisie production.

1. Ibid., p. 56  
"The East-Indian and Chinese markets, the colonisation of America, trade with the colonies, the increase in the means of exchange and in commodities generally, gave the commerce, to navigation to industry, an impulse never before known..."\(^1\)

The markets expended with an all round increase of demand for trade and exchange of commodities. Manufacturing became out moded. Thereupon, steam and machinery were introduced, which in their turn revolutionised industrial production. "The place of manufacture was taken by the giant, Modern Industry, the place of the industrial middle class by industrial millionaries, the leaders of whole industrial armies, the modern bourgeois".\(^2\)

Barriers of trade have been abolished, means of transportation and communication developed. Even the barbarian nations have been remodelled into capitalistic mode of production. National industries have been destroyed. The new industries no longer work upon indigenous raw materials, but raw material drawn from various parts of the world. Their products do not suffice only the local consumption, but of every quarter of the globe. Industrialisation has become the life and death question to all the nations. Thus bourgeois made is constantly expending and has

\(^1\) Ibid., p. 48.  
\(^2\) Ibid., p. 49
created a world market. "It must nestle everywhere, settle everywhere, establish connections everywhere". Thus "In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations".

This cosmopolitan character of the mode of production has also created new values - barter system has been replaced by exchange through monetary unit. Money has become a medium of exchange. "It has resolved personal worth into exchange value". Every occupation has been converted into paid wage labour. "The bourgeoisie has torn away from the family its sentimental veil, and has reduced the family relations to a mere money relation."

The bourgeois mode has also resulted in the large scale production. This large scale in its turn resulted in the accumulation and concentration of capital in few hands. "It has agglomerated population, centralised means of production, and has concentrated property in a few hands".

These revolutions in the mode of production have also revolutionised the entire structure of society. "This development has, in its turn, reacted on the extension of industry; and in proportion as industry, commerce, navigation,

1. Ibid., p. 53
2. Ibid., p. 54
3. Ibid., p. 51
4. Ibid., p. 52
5. Ibid., p. 55
railway extended, in the same proportion the bourgeoisie developed, increased its capital, and pushed into background every class handed down from the Middle Ages.¹ It has created new situations "It has created enormous cities, has greatly increased the urban population as compared with the rural, ... Just as it has made the country dependent on the towns, so it has made barbarian and semi-barbarian countries dependent on the civilised ones, nations of peasants on nations of bourgeois, the East on the West."²

The capitalistic mode of production has given birth to new classes - the bourgeois class on the one pole and wage-labour on the other. These two classes have their own history of development. These classes have not been created by Nature, but they are "the product of many economical revolutions, of the extinction of a whole series of older forms of social production".³

In his 'Expropriation of Agricultural Population From the Land (Capital I Chapter XXVII, p. 717) Marx has narrated how the prelude of capitalist mode was laid in England during the last third of the 15th century and the first decade of the 16th century. The breaking up of the bonds of feudal retainers, and confiscation of church property,

1. Ibid., p. 49.  2. Ibid., pp. 54-55
hurled on the labour market a mass of free Proletarians. These free proletarians could not possibly absorbed by the manufactures as fast as was thrown upon the world. "They were turned in masse into beggars, robbers, vagabonds"¹ Legislation treated them as voluntary criminals. "Thus were the agricultural people, first forcibly expropriated from the soil driven from their homes, turned into vagabords, and then whipped branded tortured by laws grotesquely terrible into the discipline necessary for the wage system"² Again, to become a free seller of labour power the labour must have freed himself from the regime of the guilds, their rules for apprentices and journeymen, and the impediments of their labour regulations. Thus, to become a free-seller of the labour power, the workman must have been robbed off his property - his own means of subsistence and instruments of work. Marx thus wrote "Hence, the historical movement which changes the producers into wage-workers appears, on the one hand as their emancipation from serfdom and from the fetters of the guilds . . . but, on the other hand, these new freedmen became sellers of themselves only after they had been robbed of all their own means of production, and of all the guarantees of existence afforded by the old feudal arrangements".³ We must also note that this change has not

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¹ Ibid., p. 734  
² Ibid., p. 737  
³ Ibid., p. 715.
been automatic but through class-war and revolutionary process. Marx wrote "And the history of this, their expropriations, is written in the annals of mankind in letters of blood and fire."

Further let us read the origin of capital. The primitive accumulations, Marx wrote is "nothing else than the historical process of divorcing the producer from the means of production." or "The spoliation of the church's property, the fraudulent alienation of the State domains the robbery of the common lands, the usurpation of feudal and clan property, and its transformation into modern private property under circumstances of reckless terrorism were just so many edylic methods of primitive accumulation." Then came the usury capital, which, in its turn is bound up with the development of merchants capital and specially that of money dealing capital. "Both the ruin of rich landowners through usuary and their impoverishment of the small producer lead to the formation and concentration of large amounts of money capital." Thus in the formen he writes "It is rather money accumulated by usuary - especially usuary on landed property and mobile (monetary) wealth accumulated through mercantile profits, that turns into capital in the strict sense, into industrial capital." This form of capital sucks the blood of small peasants, producers etc. and once they fall into the

clutches of the user can never extricate themselves. The user's capital form is changed into interest bearing Capital which presupposes that the borrower will function as capitalist and appropriate unpaid labour with the borrowed capital.

The capitalistic mode of production has created new conditions, new classes and has also extended the exploitation. It has not done away class antagonism. "It has but established new classes, new conditions of oppression, new forms of struggle in place of the old ones".  

We have already seen that according to Marx the history of mankind had been a history of class conflict. The state of the class-conflict in the capitalistic mode has been peculiar and has its own distinctive features, which can be narrated as follows:

Firstly, we have two hostile groups - the bourgeoisie on the one hand and the proletariat on the other. Thus "Society as a whole is more and more splitting up into two great hostile camps, into two great classes directly facing each other: Bourgeoisie and Proletariat".  

The other groups - the lower strata of the middle class - the small trade people shopkeepers, and retired tradesmen generally, the

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handicraftsmen and peasants — all these petty bourgeoisie sink into the working class, "partly because their diminutive capital does not suffice for the scale on which Modern Industry is carried on, and is swamped in the competition with the large capitalists", and "partly because of their specialised skill is rendered worthless by new methods of production". ①

Secondly, the class struggle is of international character. The capitalistic mode has done away the national barriers and the means of transportation and communication has united the nations into one world. Bourgeoisie mode has spread all over the globe. The conditions of proletariats are the same every where and hence their interests unite the proletariats of the world. Let the workers of the world unite they will certainly fight with the bourgeois class as a whole.

Thirdly, the proletariat class has been trained for their class - struggle by the bourgeoisie themselves. The bourgeois - class had to fight with the landlords and petty bourgeois class for their victory. The working class became a party in the struggle but for the victory of the bourgeois class only because "the proletarians do not fight their enemies, but the enemies of their enemies, the Communists of absolute monarchy, the landowners, the non-industrial

① Ibid., p. 61.
bourgeois, the petty-bourgeoisie. Thus, hitherto, the proletariat could not appropriate the fruits of their victory of class war but "The bourgeoisie itself, therefore, supplies the proletariat with its own elements of political and general education, in other words, it furnishes the proletariat with weapons for fighting the bourgeoisie."

The fourth very important feature of the class-conflict lies in the revolutionary character of the proletariat class. The petty-bourgeois class fight against the bourgeoisie to save their existing position or from the extinction their existence as functions of the middle class. Thus "They try to roll back the wheel of history." Thas proletariat class do not want to save the present position. They have no future in the capitalistic mode, no ray of hope to improve their position because "instead of rising with the progress of industry, sinks deeper and deeper below the conditions of existence of his own class." Therefore, they must destroy the bourgeois mode of production and its foundation. "They have nothing of their own, to secure and to fortify, their mission is to destroy all previous securities for, and insurances of individual property.”

1. Ibid., p. 62 2. Ibid., p. 65
3. Ibid., p. 66 4. Ibid., p. 69
5. Ibid., p. 67
After discussing the theoretical aspects of class conflict, let us now see how the same is possible and carried on in the bourgeois society. In one word let us analyse the whole thesis of Karl Marx's phenomenon of class-conflict.

Marx starts with the proposition that exchange is equal for equal i.e. $C = C$ or $C = M = C$. Commodity exchanged for money and then money into commodity. There is no question of the creation of surplus value. But in the capitalist mode of production the exchange starts with $M - C - M'$ or $M = C = M'$ ($M + \Delta M$). The capitalist exchanges his money into commodity and finds his original sum increased into $M + \Delta M$. But this expansion cannot originate due to exchange function equal for equal. Marx's finds this expansion in the process of production. He narrates this in the expended form thus:

\[
M = \frac{L}{MP} \quad \text{P} \quad \text{C} \quad (C+G) = M' (M+m)^1
\]

The capitalist in the first instance converts his $M$ into $M - L$ and $M - MP$ i.e. he purchases labour power from the labour market and the means of production from the commodity market proper. The process of production starts. "The dots indicating that the process of circulation is interrupted."\(^2\)

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2. Ibid., p. 23.
During the process of production the value of the raw material and of the tools or the fixed capital is preserved. Labour power is the only peculiar commodity which preserves its own value and creates a surplus value also. It converts the original \( C \) into \( C' \) i.e., \( C + C' \) or \( (AC) \). The value equal to the original advance plus the surplus value. Thus in the second stage in the processes of production the original sum of \( C \) is transformed into \( C' + AC \). Now in the third stage the capitalist sells the \( C' \) in the commodity market and gets \( M' \) or \( M + AM \) i.e., original amount of money plus an increment. Thus, Marx finds that surplus value is created by the labourer during the process of production.

The surplus value created by the labourer during the process of production costs the capitalist nothing whereas it

1. Marx clarifies that the raw material cannot be the source for the creation of surplus value because, "The value of the means of production is therefore preserved by being transferred to the product". (Capital Vol. I, p. 199) Similar is the case with the instruments of production. "A part of their value passes on to the product, while the other remains fixed in the instrument of labour and thus in the process of production ... its value having been distributed during a shorter or longer period over a mass of products originating from a series of constantly repeated labour processes" (Capital Vol. II, p. 158) It is therefore, apparent that these instruments cannot produce more than their own value "the means of production can never add more value to the product than they themselves possesses..." (Capital Vol. I, p. 205).

2. Marx says that the labourers is paid equal to the cost of production of his labour-power plus allowance for forstering the race of labourer and allowance for special training costs. He is bound paid the subsistence wage. But "the fact that half a day's labour is necessary to keep the labourer alive during 24 hours do not in any way prevent him from working a whole day" (Capital, Vol.I, p.193.)
costs the labour his labour-power. Marx, therefore, sees that labourer is being exploited by the capital and "The rate of surplus-value is an exact expression for the degree of exploitation of labour power by capital, or of the labourer by the capitalists".¹

The capitalist repeats this process of M - C - M'. The money comes out of circulation and enters into it again and again and becomes capital and it "preserves and multiplies itself within its circuit, comes back out of it with expanded bulk and begins the same round ever fresh M - M' money which begates money .."² The labourer thus creates his own master that sucks the value creating power. The capital increases in bulk the more it exploits the labourer. Thus "capital is dead labour that vampire-like, only lives by sucking living labour, and lives the more labour it sucks".³

The capitalist is constantly plans to increase the amount of the volume of the surplus-value. Two ways are open to him. Marx calls them as absolute surplus-value and relative surplus-value.

The capitalist has purchased the labour-power at its day rate and hence its use-value belongs to him during one working day. The capitalist has therefore, his own values about the extent of the working day. "As capitalist, he is only capital personified. His soul is the soul of capital.

¹. Ibid., p. 218  ². Ibid., pp. 154-155.  ³. Ibid., p. 233.
But capital has one single like impulse, the tendency to create value and surplus-value, to make it constant factor the means of production absorb the 'greatest possible amount of surplus-labour'.

What should be the length of a normal working-day is the question to be settled by opposite claims of the two opposite parties - capitalist and the labour. The capitalist

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1. The greed for surplus-value through the increase of the working day is very much horrible in the capitalistic society. Marx has quoted many examples of England where the factory Act 1850 allows the 10 hours working day. The inspectors appointed under the home secretary has given regular and official statistics of the capitalistic greed for surplus-labour. The factory owners prolong the legal working-day also by 340 minutes weekly. Their tactics are called 'nibbling and cribbling at meal-times'. Marx quotes a mill owner who said, "If you allow me to work only ten minutes in the day over time, you put one thousand a year in my pocket" (Ibid., p. 243) Mr. Broughton Charlton, country magistrate, declared as chairman of the meeting held in Nottingham on 14th January 1860, "Children if nine or ten years are dragged from their squalid beds at two, three, or four O'clock in the morning and compelled to work for a bare subsistence, until ten, eleven, or twelve at night, their limbs wearing away, their frames dwindling, their faces whitening, and their humanity absolutely sinking into stone like torpor, utterly horrible to contemplate." (Quoted by Karl Marx, Capital, Vol. I, pp. 243-44.) Their brain ceased to think, their eyes to see. Mr Keys bore witness before the coroner's jury that "Many Anne walkley had died from long hours of work in an overcrowded work-room and a too small and badly ventilated bedroom." (Ibid., p. 255) The capitalists introduce day and night work by the Relay system. The duration of the process of production, unbroken during the 24 hours offers very welcome opportunities of exceeding the limits of the normal working day. These instances may be multiplied where the labourers - Men, women and children, were supposed to work beyond their...
maintain his right of purchaser to utilise the maximum use-value of the commodity the labour-power "he tries to make the working-day as long as possible, and to make, whenever possible two working-days out of one".\(^1\) The labourer on the other hand being a seller of his labour-power claims the right of a seller when he wishes to reduce the working-day to one of definite normal duration. "There is here, therefore an antimony, right against right, both equally bearing the seal of the law of exchanges. Between equal rights force decides".\(^2\) We can therefore, trace that in the history of capitalist production, "the determination of what is a working-day, presents itself as the result of a struggle, a struggle between collective capital, i.e., the class of capitalists, and collective labour, i.e., the working-class".\(^3\)

In England the force was with the bourgeoisie up to the middle of the 18th century. They enforced, through the legislations, lengthening the working-day. But

\(^1\) Ibid., p. 235. \(^2\) Ibid., p. 235. \(^3\) Ibid., P. 235.

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The capitalistic mode of production (essentially the production of surplus value the absorption of surplus labour) produces thus with the extension of the working-day, not only the deterioration of human labour-power by robbing it of its normal moral and physical, conditions of development and function. It produces also the premature exhaustion and death of this labour-power itself".\(\text{(Ibid., 265)}\)
But the middle of the 19th century has transferred the power in the hands of the labourers. The fixation of 10 hours working-day in England in the year 1848 is the grand achievement for the labourers. The February revolution was necessary to bring into the world the 12 hours' law. Karl Marx, however, awakens the workers if they want to win the race and to escape themselves from the vampire who will not lose its hold on him so long as there is a muscle, a nerve, a drop of blood, to be exploited, "the labourers must put their heads together, and, as a class compel the passing of a law, an all-powerful social barrier that shall prevent the very workers from selling, by voluntary contract with capital, themselves and their families into slavery and death".

The prolongation of the working-day has its own limitations. Labourers resist and continue in trade unions and force the state authorities to check the tendency and keep a compulsory limit to the working-day. The extent of the working-day is shortened by the act of the Parliament. If the hungry wolf," the capitalist now changes his tactics and finds a way for the increase of surplus value in the introduction of machinery "so soon consequently as an increased production of surplus-value by the prolongation of the working-day was once for all put a stop to, from that moment capital

1. Ibid., p. 302.
throw itself with all its might into the production of relative surplus-value, by hastening on the further improvement of machinery.\(^1\) The other reason for the adoption of machinery lies in the growing competition among the bourgeoisie who try to undersell the others and capture new field for their production. By revolutionizing the instrument of production, the inventor capitalist appropriates extra surplus-value, but "so soon as the new method of production has become general and has consequently caused the difference between the individual value of the cheapened commodity and its social value to vanish. The law of the determination of value by labour time, a law which brings under its sway the individual capitalist who applies the new methods of production, by compelling him to sell his goods under their social value this same law, acting as a coercive law of competition forces his competitors to adopt the new method."\(^2\) Therefore, the law of competition and the greed of relative surplus-value compels the bourgeoisie to adopt new machines and thus revolutionise the mode of production. "While, therefore, competition continually pursues him with its law of the cost as production and every weapon that he forges against his rivals recoils against himself, the capital..."
introducing new machines, more expensive, it is true, but producing more cheaply, and new division of labour in place of the old, and by not waiting until competition has rendered the new ones absolute. Thus, "The bourgeoisie cannot exist without constantly revolutionising the instruments of production and thereby the relations of production, and with them the whole relations of society." Machine vanishes the difference between the skilled and unskilled labour, mitigates the difference of age and sex, and hence every human being — men, women and children, become its slaves. "Machinery, by throwing every member of that family on the labour market spreads the value of the man's labour-power over his whole family. It thus depreciates his labour-power. To purchase the labour-power of a family of four workers may perhaps cost more than it formerly did to purchase the labour-power of the head of the family, but, in return, four days' labour takes the place of one, and their price falls in proportion to the excess of the surplus-labour of four over the surplus-labour of one. In order that the family may live, four people must now, not only labour, but expend surplus-labour for the capitalist."

2. Manifesto, p. 52  
The introduction of machinery is injurious to the interests of the working-class. This has now changed the relation of the capitalist and the labour-class. Formerly, he was a free labour selling his labour-power to the capitalist. Now he sells the labour of his wife and children. "He has become a slave-dealer" He now allows the capitalist to exploit not only himself but also his family. Thus "Differences of age and sex have no longer any distinctive social validity for the working-class. All are instruments of labour, 1

The introduction of machinery has also converted the labourer into a cog in the machine without any individuality and charm in the work.

The most deteriorating effect of the introduction of machine is felt by the labourer when he becomes superfluous. "But machinery not only acts as a competitor who gets the better of the workman, and is constantly on the point of making him superfluous. It is also a power édmi enimical to him," 2 When a new machine is introduced it requires lesser and lesser labourers to handle it, for the production of a certain quantity of a commodity. Thus, the formerly employed workers become redundant and are thrown out of employment. "So soon as the handling of this tool becomes the work of a machine, then, with the use-value, the exchange-value too of the workman's labour-power vanishes; the workman becomes

unsaleable, like paper money thrown out of currency by legal enactment". The instruments of labour strikes down the labourer. This direct antagonism between the two comes out most strongly whenever new machines are introduced. "The object of improved machinery is to diminish manual labour, to provide for the performance of a process of the competition of a link in a manufacture by the aid of an iron instead of the human apparatus."

1. Ibid., p. 431.

2. Report Inspector of factory for 31st October, 1858, p. 43. (quoted in Capital I, p. 432) Marx quotes many examples (refer Capital, Vol. I, Ch. XV "Machinery and Modern Industry" section 5, "The strife between workman and Machine, from p. 427 to p. 437.) but a few will suffice our purpose.

A Manchester manufacturer states, "We formerly had 75 carding engines, now we have 12 doing the same quantity of work ... we are doing with fewer hands by 1/4 at a saving in wages of £10 a week, our estimated saving in waste is about 10% in the quantity of cotton consumed".

In another fine spinning mill in Manchester, "I was informed that through increased speed and the adoption of some self-acting processes, a reduction had been made, in number of a fourth in one department, and about half in another, and that the introduction of the combining machine in place of the second carding had considerably reduced the number of hands formerly employed in the carding room". Another spinning mill is estimated to effect a saving of labour of 10%. Nasmyth, the inspector of the steam hammer gives the following evidence "The characteristic feature of our modern mechanical improvements is the introduction of self-acting tool machinery. The whole clans of workmen that depend exclusively on their skill is now done away with ... Thanks to the new mechanised combinations, I have reduced the number of grown-up men from 1,500 to 750. The result was a considerable increase in my profits." (Capital Vol. I, p. 436).
Thus, the labourer is replaced by machines becomes superfluous because the demand not only shrinks in the old industries but also in the new ones. The new industries avail the services of machines and require lesser and lesser hands to handle them. "On the one hand, therefore, the additional capital formed in the course of accumulation attracts fewer and fewer labourers in proportion to its magnitude. On the other hand, the old capital periodically reproduced with change of composition, repels more and more of the labourers formerly employed by it." The organic composition of capital the proportion of constant and variable capital, changes. For example if it was 1:1 it now becomes successively 2:1 3:1 4:1 5:1 &c. so that, instead of 1/2 of the total value of the capital only 1/3, 1/4, 1/5 and c. is transformed into labour-power 2/3, 3/4, 5/5 & c. into means of production. As we know, that the demand of labour-power is correlated with the variable and not with the total capital, the demand for labour-power decreases much faster.

The next injurious effect of the introduction of the machine on labourer is caused in the reduction of his bargaining-power with the capitalists. Active labourer is turned into what Marx called the reserve army; women and children are recruited and replaced for adult workers. This certainly

1. Ibid., p. 628.
also have been set free or accumulated. We see, however, that the accumulated capital is constantly engaged in costly instruments of production. Thus, they cannot employ all the discharged workers and the newly added army of workers. Even if full-employment of the workers is achieved, which is quite impossible, Marx remarks "What a poor look-out is theirs! Crippled as they are by division of labour, these poor devils are worth so little outside their old trade, that they cannot find admission into any industries, except a few of inferior kind that are over-supplied with unpaid workmen".  

Thus, Karl Marx was sure that the mass of workers cannot be absorbed in new industries or in other industries.

Thus, machine replaces skilled workers by unskilled, men by women, adult by children. It throws the hand workers onto the streets in masses. It also sharpens the competition amongst the capitalists. This competition itself has its peculiarities. Marx remarks, "this war has the peculiarity that its battles are won less by recruiting than by discharging the army of labour. The generals, the capitalists, compete with one another as to who can discharge most soldiers of industry".  

The antagonistic character of the introduction of machine can be explained in the accumulation and centralisation of capital in the hands of the bourgeois class, who converts the unpaid portion - the surplus-value into capital where it

1. Ibid., p. 440
is expended in new circle. Thus money begets money. On the other hand, the labour sinks so deep that he cannot think of his salvation in the capitalistic mode of production. "Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation, at the opposite pole, i.e., on the side of the class that produces its own product in the form of capital".¹

The introduction of machinery has sharpened the class-conflict between the labourers and the capitalist class. The labourers now fight not only with the bourgeois class, but also with the instruments of production. "The contest between the capitalist and the wage labourer dates back to the very origin of capital. It raged on throughout the whole manufacturing period. But only since the introduction of machinery has the workman fought against the instrument of labour itself, the material embodiment of capital. He revolts against this particular form of the means of production, as being the material basis of the capitalist mode of production."²

² Marx quotes various examples in support of the argument. In the 17th century nearly whole Europe experienced revolts of the work people against the ribbon-loom. In Hamburg it was burnt in Public by order of Senate. No sooner had Everett in 1758 erected the first wool-shearing machine that was driven by water-power than it was set on fire by 100,000 people who had been thrown out of work (Refer Capital Vol.I, p. 428) The enormous destruction of machinery that occurred in the English manufacturing districts during the...
The question of the appropriation of the surplus-value has been dismissed by Karl Marx in a very interesting manner. He presents the two classes of labourers and the capitalists with claims and counter claims. The surplus-value is created by the labourer thus he must be its owner. The labourer says to the capitalist, "of these 4 lbs of twist, say three-fifth represent 'constant capital. They belong to you. Therefore, you have to pay me the 2 lbs. so pay me the value of 2 lbs".

The capitalist questions his claim and says "Have I not advanced the constant capital?" The labourer admits his claim and allows the capitalist the full-value of the constant capital appropriated during the process of production worth for 3 lbs. The capitalist however, is not satisfied and argues "But you couldn't materialise your labour, you couldn't spin without my cotton and my spindles; you must pay extra for that" The labourer tries to satisfy the capitalist that he also an important instrument in production. He says, "Well, the cotton would have rotted and the spindles rusted if I hadn't used them for spinning". It is only the labourer who preserves

first 15 years of this century chiefly caused by the employment of the power-loom is known as the Luddite movement (Ibid., pl 429).


2. Ibid., p. 307

3. Ibid., p. 307
the value of the instrument of production and the raw material in the process of production. Their value that is equivalent to 3 lbs. is therefore preserved to 5 lbs of Yarn. "I'm not charging you anything for this value - maintaining power of my labour because it didn't cost me any extra labour-time beyond the spinning itself, for which I get the 2 lbs."¹ Therefore, "you can't charge me for not being able to spin without spindles and cotton. For without spinning your spindles and cotton wouldn't be worth a brass farthing".²

We must also know that in the capitalistic mode of production labour advances his labour-power to the capitalist. The capitalist pays the wages only after he consumes the use-value of the labour-power. "the use-value of the labour-power is advanced to the capitalist: the labourer allows the buyer to consume it before he receives payment of the price he everywhere gives credit to the capitalist".³ Thus, the claim of the capitalist is nullified because both advance their belongings to each other.

The second claim of the capitalist comes under the risk theory of profit. The capitalist here argues that he pays the labourer his wage before he disposes-off his product. It involves greater risk. The capitalist argues

1. Ibid., p. 307
2. Ibid., p. 307
"perhaps I may not sell them at all. That is risk No. 1, secondly, perhaps I may sell them at less than their price. That is risk No. 2. And thirdly, in any case it takes time to sell them. And I to take on both risks on your behalf without recompense and lose my time into the bargain? You can't expect someting for nothing". 1 The labourer also takes risk in the capitalistic mode of production. He advances his labour-power and gives credit to the capitalists. "That this credit is no mere fiction, is shown not only by the occasional loss of wages on the bankruptcy of the capitalist, but also by a series of more enduring consequences". 2 The worker receives his wages after the expiry of a certain period, say a week, fortnight and month, he has to report on credit for the maintenance of self and the family. The shopkeeper supply with adulterated commodities and also charge higher prices. For example in London there are two sorts of bakers - full priced and the under sellers. The under sellers, almost without exception, sell bread adulterated with alum, soap, pearl ashes, chalk, Derbyshire stone dust, etc. Sir John Gordon stated before the committee of 1855 that "in consequences of these adulterations, the poor man, who lives on two pounds of bread a day, does not now get one fourth part of nourishing matter let alone the deleterious effects on his health". 3 The workers have to accept it because he has

3. Ibid., p. 174.
no money in his pocket to purchase in cash. Again, "at Horningham in Wilts, for example, where the wages are monthly, the same flour that he could buy elsewhere at 1s 10d per stone, costs him 2s 4d per stone." The risk of the capitalist does not spare the workers because he is placed in an acute portion. "Just as the capitalist takes the risk of selling the commodity below its value, he equally takes the chance of selling it above its value. The workman will be thrown out into the street if the product is unsaleable; and if it falls for long below the market-price, his wages will be brought down below the average and short time will be worked. It is he therefore, that runs the greater risk." Thus according to Karl Marx the risk theory of profit does not justify appropriation of profit by the capitalist.

The last claim of the capitalist is that he had himself worked. He asks, "Have I not performed the labour a superintendence and of over looking the spinner? And does not this labour, too, create value?" We must know that this relationship between the capitalist and the labourer has been created by the capitalistic mode of production. But this function at the same time, "a function of the exploitation of a social labour-process, and is consequently rooted in the

1. Ibid., p. 175.  
2. Theories, p. 311.  
unavoidable antagonism between the exploiter and the living and labouring raw material he exploits". Moreover, the capitalistic mode has brought matters to the point where the work of supervision, entirely divorced from the ownership of capital, is always readily obtainable. Therefore, it has come to be useless for the capitalist to perform it himself. "An Orchestra conductor need not own the instruments of his Orchestra, nor is it within the scope of his duties as conductor to have anything to do with the "wage" of the other musicians? The manager, performs the duty of supervision. Hence, the capitalist's justification for the appropriation of the surplus-value is futile and is baseless.

The only claim that can be advanced is the supreme position of the capitalist in the capitalistic mode of production. He has no other claim, therefore, the appropriation of the surplus-value is clear exploitation of the labourer. "The capitalist," therefore, "gets rich, not like the miser in proportion to this personal labour and restricted consumption but at the same rate as he squeezes out of the labour-power of others, and enforces on the labourer abstinence from all life's enjoyment". 3

Karl Marx was also aware of the theory of so-called class harmony of the classical writers. He tests the question with his own thesis of class-conflict. For example, it may be assumed that the interest of the capitalist and that of the labour is one and the same i.e., increase of capital. The labourer cannot be employed by any other factor of production than capital. In the same way capital cannot be utilised by other than any factor than labourer.

"Capital can only increase by exchanging itself for labour-power, by calling wage-labour to life. The labour-power of the wage-worker can only be exchanged for capital by increasing capital, by strengthening the power whose slave it is. Hence, increase of capital is increase of the proletariat, that is, of the working class." ¹ And thus, "The interest of the capitalist and those of the worker are, therefore, one and the same, assert the bourgeois and their economists. Indeed, the worker perishes if capital does not employ him. Capital perishes if it does not exploit labour-power..." ²

We must take guard against the argument. Both are indispensable for each other, but the question here arise is that had they equal rights and claims. It is not a picture

² Ibid., p. 86.
of the facts because if we consider the question of accumulation of capital, Marx writes, "Growth of the power of accumulated labour over living labour. Growth of the domination of the bourgeoisie over the working-class".\(^1\) Moreover we must recollect that accumulation of capital brings itself the enmical force in the shape of machinery which turns out the labourers onto the street.

There may be another argument for class-harmony. The capitalist never violates the law of exchange when he purchases the labour-power. "Equivalent has been exchanged for equivalent. For capitalist as buyer paid for each commodity, for the cotton, the spindle and the labour-power, its full value. He then did what is done by every purchaser of commodities; he consumed their use-value".\(^2\) Moreover, the circumstances that on the one hand, the daily subsistence of labour-power costs only half a day's labour, while on the other hand the very same labour-power can work during the whole day, that consequently the value which its use during one day creates, is double what he pays for that use, "this circumstance is, without doubt, a piece of good luck for the buyer, but, by no means an injury to the seller".\(^3\)

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Marx however, does not admit the argument and writes, "Though the latter with a portion of that tribute purchases the additional labour-power even at its full price, so that equivalent is exchanged for equivalent, yet the transaction is for all that only the old dodge of every conqueror who buys commodities from the conquered with the money he has robbed them of."¹ If equivalent is exchanged for equivalent the possessor of the commodity can enrich himself by his own labour. In the capitalistic mode "when social wealth becomes to an ever-increasing degree the property of those who are in a position to appropriate continually and ever afresh the unpaid labour of others."² Moreover, when surplus-value arises during the process of production, in which variable capital - the labourer produces more than his remuneration, it certainly means that full value has not been paid to the labour-power.

Marx traces the antagonistic character of capitalist and the labourer in their relative status in the capitalistic mode of production. We must know that the increase in capital brings forth an increased demand for labour. It raises the wages and hence the enjoyments and satisfaction of the workers also increases. His status is raised. But

². Ibid., p. 587.
we must not forget the relative advantage which he enjoys to the capitalist class. The social satisfaction that they receive must have fallen in comparison with the increased enjoyments of the capitalist class which are in accessible to the working-class people. Thus, "A house may be large or small; as long as the surrounding houses are equally small it satisfies all social demands for a dwelling. But let a palace arise beside the little house, and it shrinks from a little house to a hut... and however, high it may shoot up in the course of civilization, if the neighbouring palace grows to an equal or even greater extent, the occupant of the relatively small house will feel more and more uncomfortable, dissatisfied and cramped within its four walls".¹

Again, their interests are antagonistic because one class gains at the expences of the other. Wages and profit are inversely related. Marx writes "capitalist's share, profit, rises in the same proportion as labourers' share wages falls and vice versa. Profit rises to the extent that wages fall; it falls to the extent that wages rise".²

Thus, Marx summaries, "We see, therefore, that even if we remain within the relations of capital and wage labour, the

2. Ibid., p. 89.
interests of capital and the interests of the wage labour are diametrically opposed.\(^1\)

When we come to the agriculture sector in Karl Marx system, we find that there are three classes "wage-labourers, industrial capitalists, and landowners constituting together and in their mutual opposition, the framework of modern society"\(^2\) Here too the capitalistic mode of production predominates. This mode presupposes the separation of the direct producers from their position as mere accessories to the land, and on the other hand the expropriation of the mass of the people from the land. This mode transforms agriculture from a mere empirical and mechanical self-perpetuating process employed by the least developed part of the society into conscious scientific application of agronomy, that it divorces landed property from the relations of domination and servitude on the one hand, and, on the other, totally separates land as an instrument of production from landed property and landowner - for whom the land merely represents a certain money assessment which he collects by virtue of his monopoly from the industrial capitalist, the capitalist farmer. The capitalist farmer acquires land on lease and pays to the landlord rent for a particular period. He employs wage labourer for the cultivation and production purposes.

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1. Ibid., p. 90  
Karl Marx clarifies that surplus-value created by the labour-power is the only source appropriated by the capitalist and the landlord class in the shape of profit and rent respectively.

Marx follows Ricardo when he defines rent as "always the difference between the produce obtained by the employment of two equal quantities of capital and labour." He however adds "on equal areas of land". Thus natural fertility is the basis for the origin of rent. We must recollect that this natural fertility itself cannot produce rent itself. It helps in the increase of the efficiency of labour who is the only source to create surplus-value in excess to the less fertile land. Thus fertility of the soil can be compared to the machine which enhances the efficiency of labour-power but itself is barren to produce any surplus-value. Thus, labour aided by natural fertility is the cause of the differential rent. The condition here is, "the direct producers, must work beyond the time necessary for preproducing their own labour-power, for their own reproduction. They must perform surplus-labour in general. This is the subjective conditions. The objective condition is that they must be able to perform surplus-labour. The natural conditions must be such that a part of their available labour-time suffices for their reproduction and self maintenance as producers, that the production of their
necessary means of subsistence shall not consume their whole labour-power.¹

Thus, the clash of interest between the capitalist farmer and labourer starts on the very same lines as that of the industrial sector. Here too, the labourers is reduced to the position of a pauper, replaced by machine into reserved army or punished to the towns, women and child labour is also introduced.

Marx regarded rent as the monopoly price. He writes, "landed property is based on the monopoly by certain persons over definite portions of the globe, as exclusive spheres of their private will to the exclusion of all others."² The landlords therefore, enjoys every privilege that a monopolist can enjoy and Marx has no hesitation to remark that "capital as an independent source of surplus-value is joined by landed property, which acts as a barrier to average profit and transfers a portion of surplus-value to a class that neither works itself, nor directly exploits labour, nor can find morally edifying rationalisations, as in the case of interest-bearing capital e.g., risk and sacrifice of lending capital to others."³

Marx also agrees with Ricardo that rent does not create value. It is merely a transfer from one class to the other.

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¹ Ibid., p. 620.  
² Ibid., p. 601.  
³ Ibid., p. 809.
The extra profit is transferred to the landlord from the pockets of the capitalist farmer. Marx regards both the classes in the category of bourgeois class. Both share in the common loot from the surplus-value. There is therefore, no clear conflict between the two except that both exploit their supreme positions in the bourgeois mode of production.

We see that the whole system of capitalistic mode of production described by Karl Marx, is full of class antagonism and class-conflict. Marx regarded the capitalistic mode of production as the prime and also the last stage for class-conflict, because its internal contradictions give rise to socialist society with no class-antagonism and conflict. Marx proposes for a classless society with supremacy of the proletariat class. In the last stage the state will also wither away.

The capitalistic mode soon brings internal contradictions and the mode becomes out-of-date with the advance of the conditions. Briefly, we may summarise these contradictions as follows: There are periodical economic crisis and "In these crisis there breaks-out an epidemic that, in all earlier epochs, would have seemed an absurdity - the epidemic of over-production".¹ The concentration and centralisation of capital switches the capitalistic production

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¹. Manifesto. p. 57.
on a very large scale. There the extent of commerce, industry and productive forces enlarged. "The production forces at the disposal of society no longer tend to further the development of the conditions of bourgeois property; on the contrary, they have become too powerful for these conditions, by which they are fettered, and so soon as they overcome these fetters, they bring disorder into the whole of bourgeois society, endanger the existence of bourgeois property." Thus "The weapons with which the bourgeoisie felled feudalism to the ground are now turned against the bourgeoisie itself." The capitalistic mode has therefore, gave birth to its grave diggers. Moreover, the preliminary seeds for socialist society have been sown in the form of joint stock companies and in the birth of cooperative societies. Production on very large scale required huge capital accumulation. The industrial capitalist become unable to invest the demanded capital, therefore, joint stock companies are originated and private enterprise, thus became public, "It is the abolition of capital as private property within the frame work of capitalist production itself." It has been transformed the actually functioning capitalist into a mere manager, administrator of other people's capital, and of the owner of capital into mere

1. Ibid., pp. 57-58  
2. Ibid., p. 58.  
owner, a mere-money capitalist. Thus in stock companies the function is divorced from capital ownership, hence also labour is entirely divorced from ownership of means of production and surplus-labour. "This result of the ultimate development of capitalist production is a necessary transitional phase towards the recoverslon of capital into the property of producers, although no longer as the private property of the individual producers, but rather as the property of associated producers as outright social property." The co-operative factories of the labourers themselves is another seed sown for socialist society. Marx, thus, refers that these new development "show how a new mode of production naturally grows out of an old one, when the development of the material forces of production and of the corresponding forms of social production have reached a particular stage."  

In the end Marx declares that the initiative lies with the proletariat class who has sunk deep, already trained to create revolutions. Their salvation lies in the overthrow of capitalism, and in establishment of socialism. Thus the communist party declares, "that their (proletariats) ends can be attained only by the forcible over-throw of all existing social conditions. Let the ruling classes tremble ate the communistic revolution. The proletarians having nothing to lose but their chains. They have a world to win."  

1. Ibid., p. 428  
2. Ibid., p. 431  
3. Manifesto, p. 112.
We see that Marx traces the history of class-conflict through his concept of dialectical materialism. Professor Frank H. Knight remarks "underlying the historical theory of class-war, the intellectual basis or content of Marxism in the first place "dialectical materialism". He finds that with the mode of production the entire superstructure of the society is changed. The antagonism between the classes also sharpens with more force and combination. Thus, Henryk Grossman comments, "of course class-struggle is not to be understood in the primitive sense that the workers must blindly attack the entrepreneur class wherever the two come into contact. Both the content and the form of the class-conflicts are themselves determined by the attained level of historical development and by the concrete historical situation."  

In Marxian concept, class-struggle is not regarded as an evil but as a dynamic force, the lever of history. By fighting for its right against the ruling class, the exploited and oppressed class creates a new historical situation. New rights are wrested from the ruling class, and the whole of society is thereby raised to a new and higher level. In this conception, class-struggle does not end with the abolition of feudalism by the bourgeoisie it is also typical of the relations between the bourgeoisie and the working class. According to Marx, the process of history on the road of progress, far from becoming increasing peaceful, increases

in voilence with the development of capitalism, and class
conflicts become the decisive instrument in the transition from
capitalism to collectivism. Thus Marx "explains genetically
the necessary emergence of class conflicts in various historical
epochs and explains their original form and intensity by
the development of productive forces in each period and by
the position individuals and classes occupy in the productive
process. This endows the doctrine of class struggle with a
concrete and profound meaning". 1

Marx read the system of capitalism as a passing phase
"in the transition from the feudal economy of the past to
the socialist economy of the future". 2 His main efforts,
however, were not directed to the precapitalist forms but to
a systematic analysis of the genesis and development of the
specific historical phases of capitalism and to the transition
from capitalism to socialism. Marx views, "the evolution of a
the economic formation of society .. as a process of natural
history". 3 and his aim "lies in the disclosing of the
special laws that regulate the original existence, development
death of a given social organism and its replacement by another and higher one". 4 Whereby society, "can neither clear

by bold leaps, nor remove by legal enactments, the obstacles offered by the successive phases of its normal development. But it can shorten and lessen the birth pangs.\(^1\) Briefly stated, it is that within the existing economy a new economic form arises and grows, that the two enter into ever sharper conflict with each other, and that through the violent resolution of the conflict the new economy finally takes over. Every new stage becomes a higher stage. Socialism will be last stage. There will be no classes, property rights will be done away.

Another important point is to be noted in Marxian analysis is that he proves capital to be sterile to produce any surplus-value and hence appropriation of profits by the capitalist class is a clear exploitation. Maurice Dobb comments "For Marx it was evident (as an empirical fact, not as a proposition relying on some a priori argument for its validity) that the capitalist class, drawing an income by virtue of property rights lived off the surplus labour of wage-workers in the same sense as the medieval lord lived off the surplus labour of his serfs or the slave-owner off his slaves; and that this was the real crux of the matter."\(^2\) He has refuted all the arguments - that capitalist advances his capital for which he must get a reward or

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capitalist undertakes a risk or that he has himself worked, and held that appropriation of profit as clear exploitation of the labour. Moreover, Marx has read the question in the classical view point. Again Maurice Dobb writes, "Marx was to show how the fact that one class in society drew an income without contributing any productive activity could be consistent with the prevalence of competition and the rule of economic law.¹ Again, "He had to explain, as my theory of profit or surplus has to do, why it was that competition did not force down the value of the net product to the money, expenses of production, consisting of 'wage advances' to labourers or alternatively force up the reward of labour until it absorbed the whole net product". Marx writes "To explain the general nature of profits, you must start from the theorem that on an average, commodities are sold at their real values, and that profits are derived from selling them at their values ... If you cannot explain profit upon this supposition, you cannot explain it at all".³

Thus Marx's whole thesis is based on the evolutionary process of dialectical materialism and a revolution to be brought about by the phenomena of class conflict. Henryk

1. *Ibid.*, p. 188  
2. *Ibid.*, p. 188  
Grossman comments "For the first time in the history of ideas we encounter a theory which combines the evolutionary and revolutionary elements in an original manner to form a meaningful unit."¹

CHAPTER VII

CONCLUSION
We have now a fairly exhaustive survey of the systems of Adam Smith, Ricardo, Malthus, J.S. Mill and Karl Marx. We saw that except Malthus no other classical thinker could maintain the harmonious order intact in his system. The phenomena of class-conflict creep in and a ground was prepared for Marx to present a comprehensive analysis of the problem.

In Adam Smith we found a conflict between the labourers and capitalists. There were instances in which we traced a conflict between the two proprietor classes - the landlords and the capitalist. One must, however, keep in mind that it was the beginning of the industrial revolution in England which was emerging slowly and gradually. Therefore, the class-conflict was also in the preliminary stage. We should again note, that the instances of class-conflict cannot be taken as exceptional cases because we have already observed the Smith was not quite sure about the smooth working of his system. He, therefore, prepared the ground for Ricardo and others to follow.

Ricardo's system is a very controversial issue for class conflict. We have already discussed that Marx misunderstood him because he never established a conflict between the capitalists and the labourers. There is however, a short run conflict between the two proprietor classes in his system. The introduction of machinery also inflict injurious effects upon the labourers in the short-run. From the long-run point of view, which is
incidentally Ricardo's real problem, there is no class-conflict in his system.

Malthus may be regarded a true disciple of Adam Smith. He controverted with Ricardo and tried to patch-up the work of Adam Smith to establish complete class-harmony in the system. His system is based upon the forces of supply and demand. Nobody, amongst the labourers, capitalists and landlords could receive more or less than the due share from the produce, because the shares themselves were determined by the market mechanism.

We should, however, note that Malthus too, was not fully satisfied with the automatic working of the system. He saw the seeds of crisis in the capitalist mode of production due to over production caused by under consumption. He therefore, advocates deliberate maintenance of the unproductive consumers and appreciates the landlord class in this connection.

J.S. Mill faithfully follows Ricardo. He also establishes a class-conflict between the two proprietor classes in the short-run. Like Ricardo he finds the improvements on land as injurious to the interests of the landlord-class and beneficial to the capitalist-class. In the long run, however, class-conflict is transformed into class harmony.

J.S. Mill, however, does not satisfy himself with the above class-conflict between the two proprietor classes. He
traces the conflict between the labourers and the capitalists. It is very important that he traces even the history of class-conflict from primitive society to the capitalistic one. His comments on the introduction of machinery are more severe than those of his master - Ricardo. He criticised the law of inheritance, condemned private proprietorship, praised socialism and even communism in comparison to the present mode of distribution.

Marx's entire system is based upon the theory of class conflict. He establishes a conflict between the capitalists and the labourers and advocates the abolition of private property and transformation of capitalism into socialism - a classless society with no class conflict.

To trace the phenomenon of class-conflict from Adam Smith to Marx we must note that since the inception of the physiocrats in the history of economic thought, there has been a persistence controversy on the unexplained share of one or more of the factors of production, as a residual of surplus. The economists, therefore, were engaged to see that some particular factor was rewarded only by the surplus and the implication that the owners of that factor were social parasites or worse.

It would appear to be difficult to consider the workers as functionless residual claims in this sense, but the physiocrats, in their obsession with the fundamental fruitful-ness of land almost succeeded in doing so. Adam Smith, as
we have already discussed, was critical towards the peculiar position of the landlord class. Ricardo much more convincingly stressed the surplus nature of rent, and as a capitalist was distressed at the prospect of the landlords' passively observing, all the fruits of technical progress and of capitalists accumulation. Malthus as a defender of the landed interests was more concerned with the evils of high profit(interest) rate as a brake upon economic activity and found a useful function for the landlords in their propensity to spend.

As a result of these disputes it was impossible for classical political economy to avoid occupying itself with the problems of the class-structure of society and its class-conflicts. "Because of this" remarks A.P. Lerner, "Marx was able to consider the development of the society as a whole to simplify into a manageable shape by the concept of the class-struggle and to build up his great contributions to the 'laws of motion' of social organisation without departing very considerably from the topics commonly dealt with the classical political economists". 1

The theory of rent propounded by Ricardo and his followers thus, formed the ground for maintaining that the very policies

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which would tend to the lowering of the rate of profit and the consequent retardation of capital accumulation and industrial progress would at the same time augment the revenue of the landed class and swell the burden of unproductive consumption on the national wealth. The theory of surplus-value, propounded by Karl Marx, implied that, since the two class incomes of profits and wages were so contrasted in their essential character and in the manner of their determination, the relation between them was necessarily one of antagonism in a sense which made it qualitatively distinct from the relation between ordinary buyers and sellers in a free market. The capitalist class would have an interest in perpetuating and extending the institutions of a class-society, which maintained the proletariat in a dependent position and created surplus-value as a category of income, as powerfully as the landed interest had formerly had in maintaining the corn-laws, while the proletariat would have a corresponding interest in weakening and destroying these basic property rights. Maurice Dobb, therefore, writes, "clearly its importance as basis for a critique of capitalism was in many respects parallel to that of the theory of rent for a critique of the landed interest in the hands of the Ricardian-school."

Moreover, as we have already observed, the earlier classical economists knew that the labour produces over and above his subsistence wages. The whole produce, after the payment of rent, is divided between the wages and profits. They, however, did not see any point of exploitation because the capitalists were as necessary to the workers as the workers were to the capitalists. Still there was a serious slip on the part of the classical thinkers that they did not propound sound arguments in support of the share of the capitalist class the profits. This positive slip opened the way to the doctrines of Marx of describing real capital itself, or the capital goods (e.g., machines) used by labour in production as representing or embodying only the previous labour by which it (or they) had been produced. A.P. Lerner therefore, comments, "It required very little shifting of the basis of the argument to enable him to lump land and capital together as instruments of producing surplus-value for their owners by means of the exploitation of labour". 1

One should however, not infer that there was no difference in the approach of Karl Marx with other classical writers in the development of the concept of class-conflict. We will see that they differed considerably and how Marx read the idea from them to make his own.

The first and foremost difference is that the classical writers were mainly concerned with the idea of class-harmony. If they saw instances of class-conflict it may be called a flow in their system. Moreover, they were never after the phenomena of class-conflict. They stressed the need to safeguard the interests of the workers but were never prejudiced with the share of the capitalist class. They found that if the increase of population may be checked by the workers themselves the conditions will change and the standard of labourers could be upgraded.

Marx, on the other hand was preoccupied with the phenomena of class conflict and found in it the base of the development of human history. He never condemned it. Here class-conflict is not regarded as an evil but as a dynamic force, the lever of history. By fighting for its right against the ruling class the exploited and oppressed class creates a new historical situation. Now rights are wrested from the ruling class, and the whole of society is thereby raised to a new and higher level.

Henryk Grossman writes,

"In this conception class-struggle does not end with the abolition of feudalism by the bourgeoisie, it is also typical of the relations between the bourgeoisie and the working class."  

Secondly, the classical economists though discussed the instances of class-conflict, yet were never doubtful about the

system of capitalism because,

"The orthodox economists accept the capitalist system as part of the eternal order or Nature". ¹

Marx on the other hand,

"regards it as a passing phase in the transition from the feudal economy of the past to the socialist economy of the future". ²

He saw the key to this transition in the concept of class-conflict. According to Marx, the Process of history on the road of progress far from becoming increasingly peaceful, increases in violence with the development of capitalism and class conflicts became the decisive instrument in the transition from capitalism to collectivism.

The third and the last is that Marx discussed the idea of class-conflict with a political motive too whereas there was

2. Ibid., p. 1: Engles also wrote, "Marx was before all else a revolutionary. His real mission in life was to contribute in one way or another, to the overthrow of capitalist society. As Marx himself put it, "The philosophers have interpreted the world in various ways; the point however, is to change it" (Selected Works, 1942, Vol. I, p. 17).

Similarly Marx wrote, "For us the issue cannot be the alteration of private property but also its annihilation, not the smoothing over of class antagonism but the abolition of classes, not the improvement of the existing society but the foundation of a new one" Addresses to the Central Committee to Communist League, Works, Vol. I, p. 102.
nothing like this with the earlier classical economists. Marx saw in the two classes - the bourgeois and proletariat, a fight like that in the battle field where two armies confront each other. He wants the workers to unite and fight with the bourgeoisie. In this connection he never hesitated to use violence and other such methods. Frank H. Knight appears to be correct when he wrote:

"The class-war idea was put forward as a theoretical view of what happens; but the aim, consciously or unconsciously, obviously was to use the theory to make it happen to foment a class-war which of course had not previously existed, at least in the desired form and degree, or there would have been no occasion for the propaganda."

The difference of approach can be attributed once again to the different problems with which the earlier economists and Marx were concerned.

A great part of Marx like was devoted to the study of capitalism - the method of production which had succeeded feudalism in Britain and was establishing itself all over the world in the course of the last century. The aim of the study was to discover the 'law of motion' of capitalist society.

Capitalism has not always existed, but had grown up gradually; it was not the same in Marx's days as it had been at the time of the industrial revolution in Britain in the latter part of

the eighteen century. The problem was not merely to describe the capitalist method of production of his own time as the earlier classists did, but to make an analysis which would show why and in what direction it was changing. This approach to the question was new. The classical writers took capitalism as it was, described it as it was, and described it as if it was a fixed, eternal system; for Marx, this method of production, like all others in history, was changing. The result of his study was therefore not only a description, but a scientific forecast, because he was able to see the way in which capitalism was in fact developing.

Again, for Marx the analysis which the classical economists have conducted disclosed only half of the problem. As Engles put it in an important passage in his Anti-Dühring, they had shown the positive side of capitalism, in contrast to what had preceded it. In demonstrating the laws of laissez-faire they had provided a critique of previous orders of the society, but they had not provided historical critique of capitalism was to be regarded as a stable and permanent order of nature or an unchanging final term of social development. It remained to be done in order to give capitalism its proper place in historical evolution and to provide a key to the forecast of its future. Economic science to date said Engles,

"begins with the critique of the survivals of feudal forms of production and exchange shows the necessity of their replacement by capitalist forms and develops the laws of the capitalist mode of production and its corresponding forms of exchange in their positive aspects, that is, the aspects in which they further the general aims of society"
Equally necessary was the dialectical completion of Political Economy by,

"a socialist critique of the capitalist mode of production; that is, with the statement of its laws in their mode of production, though its own development, derives towards the point at which it makes itself, impossible."

After tracing the effects of the earlier classical economists on Karl Marx for his theory of class-conflict, their differences in approach, problems of the capitalist mode of production, let us also see whether Marx has contributed something new in his concept of class-conflict.

Marx wrote to J. Weydemeyer on March 5, 1852,

"What I did that was new was to prove:

1 - that the existence of classes is only bound up with particular historical phases in the development of production;

2 - that the class struggle necessarily leads to the dictatorship of the proletariat;

3 - that the dictatorship itself only constitutes the transition to the abolition of classes and the classless society."

Thus, Marx associates the concept of class-conflict with the mode of production. Therefore, with the development in the modes of production automatically brings a change in forms of the class-conflict. It started from the slave system with the


2. Marx, Karl; Engels, Frederick. Selected Works vol II (Moscow, Foreign Languages Publishing House, 1949) P. 410
masters and the slaves. The slave mode was replaced by more progressive mode of production - the feudal mode of production. It sharpened the class conflict between the lord and the serf. The feudal system once again transformed into the capitalist mode. The class-struggle reaches to the highest stage between the capitalists and the workers. Lastly capitalism is substituted by socialism. It brought up classless society therefore, class struggle is dead for ever.

The class-struggle has been a cause for bestowing more and more rights and better position to the exploited class. For example, the position of serf is better than the slave. Similarly, the worker has more rights and better position than the serf. He is independent and sells his labour-power to the capitalist. He does not render personal services to the capitalist. Thus the aim of the communists is,

"formation of the proletariat into a class, overthrow of bourgeois supremacy, conquest of political power by the Proletariat".

Lastly, the object of the class-struggle is finally achieved in the creation of a classless society. Abolition of property rights, and the establishment of the collective ownership. Hence there shall be a classless society and there will be no class-conflict.

We now be able to summarise and bind up our work with the following solutions:

We cannot agree with all those who still hold the view that "orthodox economists argue in terms of a harmony of interests between the various sections of the community", because, we have already established that the classical economists were also concerned with the classes and their class conflicts. We saw conflict of two proprietor classes in Ricardo and J.S. Mill and a class-conflict between the capitalist and the labourers in the systems of Adam Smith and J.S. Mill. The only exception is Malthus whose system represents complete harmony of interests.

Again, we agree with all those who hold the view, "That Marxism essentially a product of the bourgeois minded", because we have seen that Marx nourished the seed sown by the classists and harvested it for his own mission.

Incidently, both of the above findings cover the purpose of this work.

One should also note that due to his revolutionary nature Marx brought a critique of the capitalistic system and exaggerated the actual phenomena of the class-conflict, and in his haste, propagated his system of socialism without considering its own limitations. Therefore, he also committed the same mistake of

the classical tradition that his system is eternal and fool prove. He certainly opened the doors for the critics to treat his system with the same revenge that he did to the capitalist system. His materialistic interpretation gave birth to thousands of Ruskins and Carlyles; and his theory of class-conflict forced the opponents to reconsider their faith in the laissez-faire policies.
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