

## 2016-08-15 From the preparatory notes for Class 16 of the introductory course on political economy: 'The evolution of property and how it rules the world'.

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*The class began with discussion of the text on the technical aspect of the division of labour that was read in groups last time (Class 15), and some of the issues it raises. Class members were also reminded to raise anything that struck them from watching the milk factory film.*

The 'division of labour' (as we've noted before) is a generally accepted but somewhat misleading term. It refers to the division or specialisation of *productive operations*, whereby human labour combines with materials and tools in order to produce something. The division of labour implies an accompanying division of materials and tools.

Marx and Engels told us in para 10 of the extracts from *The German Ideology*:

How far the productive forces of a nation are developed is shown most manifestly by the degree to which the division of labour has been carried. Each new productive force, insofar as it is not merely a quantitative extension of productive forces already known (for instance the bringing into cultivation of fresh land), causes a further development of the division of labour.

The passages from **Adam Smith** and **Allyn Young**<sup>1</sup> read last week deal with the *technical* aspect of the division of labour, and how the division of labour — and with it mechanisation — depends on the extent of the market. When we get to later paragraphs of *The German Ideology* extracts, we'll concentrate more on the *social* aspects and *social implications* of the division of labour.

The 1972 article by **Robert M. Young**,<sup>2</sup> sent out to you as recommended reading, provides a useful introduction to that aspect.

But for the moment, let's keep focused on the technical side.

There is division of labour *between* productive enterprises, and there is division of labour *within* enterprises.

### **The beneficial effects on the production of material wealth flowing from the division of labour:**

Adam Smith in *The Wealth of Nations* (1776) — although his example of pin-making is justly famous — was not the first to appreciate this. For example the physician Bernard Mandeville, in *The Fable of the Bees* (1714, 1729), had his character Cleomenes say: 'if one will wholly

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<sup>1</sup> *Adam Smith, Allyn Young.pdf*

<sup>2</sup> *1972 Young, Darwinism and division of labour.pdf* This was originally broadcast on the BBC Radio 3 series, 'Are Hierarchies Necessary?' It was subsequently published in *The Listener*, 17 August 1972, pp. 202-5 and in *Science as Culture* no. 9: 110-24, 1990.

apply himself to the making of bows and arrows, whilst another provides food, a third builds huts, a fourth makes garments, and a fifth utensils, they not only become useful to one another, but the callings and employments themselves will in the same number of years receive much greater improvements, than if all had been promiscuously follow'd by every one of the five.' To which Horatio replies: '... the truth of what you say is in nothing so conspicuous, as it is in watch-making, which is come to a higher degree of perfection, than it would have been arrived at yet, if the whole had always remain'd the employment of one person; and I am persuaded, that even the plenty we have of clocks and watches, as well as the exactness and beauty they may be made of, are chiefly owing to the division that has been made of that art into many branches.'<sup>3</sup>

Both Mandeville and Smith argued that the pursuit of private interest through production for exchange leads to public welfare.

### **But do the beneficial effects 'trickle down' to the general population?**

What do you think of this passage in Adam Smith?

It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people.

He was writing at the dawn of the capitalist era, when production was still carried on largely by 'manufacture' — that is before the age of 'machinofacture'. Was he simply wrong in this passage?

Actually there is a 'trickle down' effect which it would be a mistake simply to ignore.

**The 'Nordhaus effect':** a form of distribution of social wealth not included in wages — or in profit, interest and ground rent.

Back in 1998 the Yale economist William Nordhaus wrote an interesting article about real income statistics.<sup>4</sup> He was writing mainly about the United States, but his point is a general one. 'Real' income statistics count up the money income of people and adjust it for inflation, that is to say, adjust it for general changes in the value of money (or what money can buy). Nordhaus showed that so-called 'real' income statistics do not capture the increase in real wealth or utility when technology is undergoing significant change.

"... [M]ost of the goods we consume today [he wrote] were not produced a century ago. We travel in vehicles that were not yet invented that are powered by fuels not yet produced, communicate through devices not yet manufactured, enjoy cool air on the hottest days, are entertained by electronic wizardry that was not dreamed of, and receive medical treatments that were unheard of. If we are to obtain accurate estimates of the growth of real incomes over the last century, we must somehow construct price indexes that account for the vast changes in the quality and range of goods and services that we

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<sup>3</sup> Oxford: Clarendon Press edition 1924, vol 2, p. 284. The archaic capitalisation in the original has been removed.

<sup>4</sup> William D. Nordhaus, *Do Real-Output and Real-Wage Measures Capture Reality? The History of Lighting Suggests Not*. Cowles Foundation Paper No. 957. Cowles Foundation for Research in Economics at Yale University. 1998.

consume. that somehow compare the services of horse with automobile, of Pony Express with facsimile machine, of carbon paper with photocopier, of dark and lonely nights with nights spent watching television, and of brain surgery with magnetic resonance imaging.”

Nordhaus concluded:

By design, price indexes can capture the small, run-of-the-mill changes in economic activity, but revolutionary jumps in technology are simply ignored by the indexes. What is surprising is how pervasive the range of revolutionary products is.

Nordhaus’s original article was mainly about domestic lighting. In a recent lecture, the English free-market libertarian Matt Ridley has summed up similar facts in these words:<sup>5</sup>

Ask yourself how long you would have to work to provide for yourself an hour of reading light this evening to read a book by.

If you had to start from scratch, let’s say you go out into the countryside. You find a sheep. You kill it. You get the fat out of it. You render it down. You make a candle, etc. etc. How long is it going to take you? Quite a long time.

How long do you actually have to work to earn an hour of reading light if you're on the average wage in Britain today? And the answer is about half a second. Back in 1950, you would have had to work for eight seconds on the average wage to acquire that much light. And that's seven and a half seconds of prosperity that you've gained since 1950, as it were, because that's seven and a half seconds in which you can do something else, or you can acquire another good or service. And back in 1880, it would have been 15 minutes to earn that amount of light on the average wage. Back in 1800, you'd have had to work six hours to earn a candle that could burn for an hour. In other words, the average person on the average wage could not afford a candle in 1800.

Very good! But Ridley, trying to persuade his audience that all is for the best in the best of all possible worlds, neither mentions rising social inequality nor discusses the technological potential for transforming lives that is still forced to lie dormant because those who could use it cannot afford to pay for it — cannot afford it not for reasons of individual laziness or lack of talent but because the socio-economic system denies them the necessary opportunity to work and earn.

*Cellphones example? Other examples?*

### **Basic attitude to technological progress:**

#### **Marx and the electric railway engine (PowerPoint slide)**

“A few months after his arrival in London [in 1849], Karl Marx noticed a working model of an electric railway engine in the window of a Regent Street shop. He became ‘flushed and excited’, according to a witness — not from the thrill of novelty but because of the economic implications. ‘The problem is solved — the consequences are indefinable,’ he told his fellow gawpers. ‘In the wake of the economic revolution the political must necessarily follow, for the

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<sup>5</sup> Lecture given at Oxford University, 14 July 2010.

latter is only the expression of the former.’ It seems unlikely that anyone else in the Regent Street throng had paused to consider the economic and political consequences of this Trojan iron horse; for Marx, it was all that mattered.

— Francis Wheen, *Marx’s ‘Das Kapital’: A Biography*. Atlantic Books, 2006. Pages 22-23.

**Lenin’s** approach to technological advances: A two-page article entitled ‘A Great Technical Achievement’, written by Lenin in 1913,<sup>6</sup> was distributed as a handout, projected on the screen and read during the class. Remember that this was written more than a hundred years ago, and obviously much has changed. But it shows that Lenin adopted the same approach to technical progress that Marx had adopted. Lenin was in exile from Tsarist Russia, living in Poland at that time. In this article for his party’s paper *Pravda* he was writing not about Russia specifically but about the world.

Recall **William Petty, Samuel Johnson** and **the two meanings of wealth** (PowerPoint slides introduced in Class 04).

‘A man is actually and truly rich according to what he eateth, drinketh, weareth, or in any other way really and actually enjoyeth. Others are but potentially and imaginatively rich, who though they have power over much, make little use of it, these being rather stewards and exchangers for the other sort than owners for themselves.’

— Sir William Petty, 1662

Compare Samuel Johnson’s definition of ‘wealth’:

‘WEALTH. Prosperity; external happiness. Riches; money, or precious goods.’

We noted then that this definition, in two parts, shows the two-fold sense in which the word ‘wealth’ is ordinarily used:

- 1) the first of the two meanings refers to wealth in its material aspect as utility;
- 2) the second refers to the prevailing social means by which people command the first.

That command is by means of property, or socially recognised entitlements to material wealth.

In fact, two thousand years earlier, the ancient Greek philosopher **Aristotle** (384–322 BCE) had recognised the same distinction and said much the same thing:<sup>7</sup>

The criterion of ‘security’ [in relation to ownership] is the ownership of property in such places and under such conditions that the use of it is in our power; and it is ‘our own’ if it is in our own power to dispose of it or keep it. ... Wealth as a whole consists in using things rather than in owning them; it is really the activity — that is, the use — of property that constitutes wealth.

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<sup>6</sup> From Lenin’s *Collected Works*, vol 19, pp 61-62. Published in *Pravda*, 21 April 1913.

<sup>7</sup> *Rhetorica*, Book I.5 (1361<sup>a</sup>). Translation by W. Rhys Roberts.

Importance of maintaining the distinction between **objects of utility** (real material wealth) and **socially recognised entitlements** (proprietary entitlements) to those objects.

The two meanings or aspects of wealth are distinct, but they are **connected**. Marx and Engels are helping us to understand the connection between the two. The system of *property relations* develops historically in conjunction with the development of the *productive forces*. And the development of the *division of labour* is central to both.

### **BREAK**

After the break, the class divided into two groups to read and discuss paras 55-61 of the extracts from *The German Ideology*.