The Laws of Commodity Production for Dummies
is taken from The World for which We Fight (March 2004)
which is part of the Anarcho-Leninist Debate on the State

We need to understand how the world works
so that we can run it better than the bourgeoisie!

The Laws of Commodity Production for Dummies

The world in which we live (ie: a world of imperialist wars, racism, unemployment, poverty, repression, ecosystem destruction on a vast scale and a culture of escapism, ignorance and spam) has been created and shaped by the *laws of commodity production*.

Creating a "better world" of peace, abundance and justice for all will require hundreds of thousands of activists to understand these "laws" so that humanity can chart a path forward to a world that is not ruled by the bourgeoisie.

Excerpted from The World for which We Fight
by Ben Seattle, March 2004

Considering the importance of these laws, **my ability** to describe them here is somewhere between piss poor and **completely inadequate**. Since some explanation is necessary, however, I will do my best (with my emphasis more on being *easy to understand* than rigorous) -- and leave it to others who (if this debate eventually gains wider recognition) can correct my errors. What follows therefor represents my best effort to describe these laws, in a concise and understandable way, for a reading audience which includes young people in their mid-teens.

The "laws of commodity production" for dummies

The most obvious consequence of the laws of commodity production can be summed up in the age-old saying:

> "The rich get richer and the poor get poorer."

Why is this? Why does this always seem to happen?

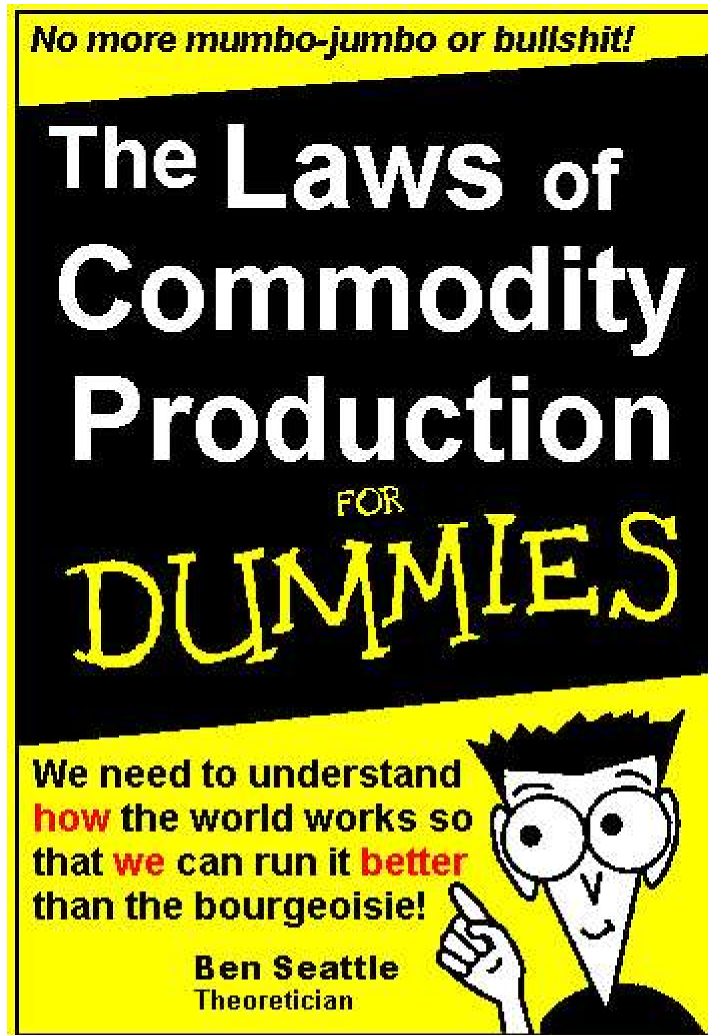
1. We start our explanation by considering a **commodity** and asking:

> What **is** a commodity anyway?

A commodity is **anything** which is created for the purpose of **sale** or **exchange**.

The most important thing to realize about a commodity is that it has a **dual nature**. On the one hand it is a thing-in-itself with a potentially **infinite number** of **characteristics**. On the other hand, as a commodity, we will see that it can be reduced to a **single number**.

A **tree** in a rainforest, for example, can be home to hundreds of different species of plants and animals, and be part of extremely complex ecosytem created by thirty million years of evolution. Or, chopped down, the tree can be used for furniture or to build houses. Or children can use the tree to build a tree house. The tree has a potentially infinite number of properties related to science, education or human comfort and shelter. But when sold on the market--the tree is reduced to **single number** measurable in dollars.



Or consider a **slave** on the auction block. Maybe the slave has some rare qualities: for example some kind of deep connection to his fellow slaves. Maybe the slave is in possession of courage, patience and determination in sufficient amount to shake the entire ancient world. Maybe the slave is named Spartacus? But on the auction block the slave is reduced to a **single number** expressed in Roman coin.

And this is one way of understanding the problem with the system of commodity production: when you **reduce anything to a single number** you **make it less than it really is**. This is particularly true when the commodity is **human labor power**. When reduced to a single number--human labor power--**infinite** in its **potential** and characteristics--becomes, in one way or another, **enslaved**.

Over the course of thousands of years of human struggle and history the system of commodity production **amplifies** this simple contradiction embodied in the dual nature of the commodity. The result, on the one hand, is the development of civilization: modern economies and modern technology. And the result, on the other hand, is the bourgeois domination of society, the bourgeois state and unending imperialist war.

We will return to this when we discuss (see below) the nature of what economists sometimes call "**externalities**" -- which are manifestations of things which are certainly **real** but are **not measurable** by the economic system.

But we are getting ahead of ourselves. Let's go back to the beginning--to earlier human society.

2. We now consider the **exchange of commodities**: say a pound of fish for four pounds of bread.

This immediately brings us to these questions:

> What determines the **exchange ratio** (ie: why **four** pounds of bread for a pound of fish and not **three** pounds of bread) ? Are these exchange ratios determined by a **state** or some kind of **authority**? Or do these exchange ratios develop **spontaneously**?

The **labor theory of value** holds that the exchange ratios **spontaneously** (ie: by the independent actions of large numbers of producers in competition with one another) **tend toward an equilibrium** in such a way that **equivalent amounts** of **necessary labor** are exchanged. In the example above the exchange ratio suggests that it takes as much labor to create four pounds of bread as one pound of fish.

(Note: for the sake of simplicity I am leaving out discussion of secondary issues such as more highly valued skilled labor--and the compound labor involved in things like building fishing boats, learning navigation and so on--and reducing matters to uniform abstract average hours of socially necessary labor.)

The exchange ratios that develop are **enforced** (without the necessity of any external controlling force) by the actions of the **market** (ie: **supply** and **demand** and **competition**, etc) which create

shortages (or other symptoms of disequalibrium) when these ratios are **violated**.

For example if I as a fisherman want to trade a pound of fish for **ten** pounds of bread--I will find a shortage of farmers willing to make the trade--because they will understand that they can find other fishermen who will make them a better deal.

(And this **equilibrium price** is **automatically self-correcting**: If, for example, I could somehow talk a bunch of dumb farmers into giving me ten pounds of bread for each pound of fish--then bread would eventually become more **scarce** in relation to fish--and other, smarter farmers would be able to take advantage of this shortage and maybe trade **three** pounds of bread for a pound of fish--until the shortage is overcome and the equilibrium price re-establishes itself.)

Note: The key principle to be understood here is the concept of **self-organization**. A process is said to be *self-organizing* if it develops out the spontaneous actions of large numbers of independent component parts. Our galaxy, our solar system, the earth--and all the life on it--are the result of self-organizing processes. Religious fundamentalists do not like this idea because they want to think that life can only be the result of an all-powerful central directing authority (sometimes with a white beard). In a similar way many anarchists, as we shall see, have a problem with the development of things like *money*--which they imagine must have been somehow willed into existence by an *external authority* they call the *state*. But we are getting ahead of ourselves--let's go back to the days *before* money, *before* the state--to the days of simple commodity exchange.

3. Things become more interesting when one of the commodities being exchanged is **labor power**.

This immediately brings us to this key question:

> How many pounds of bread will a worker earn in exchange for a day's labor?

The labor theory of value holds that we can calculate the **exchange value** of the worker's labor the same way we can calculate the value of any other commodity--by asking: **how much labor is required to create it?**

So to calculate a worker's wage--we need only ask: **how much labor is required to create the worker?**

So we can (in essence--I am simplifying a bit) calculate **the exchange value of a day of labor** by:

(i) first calculating **how much total labor is required to raise and maintain the worker** (ie: the socially necessary labor required to grow all the food he eats over the course of his lifetime, the clothes he wears, the hut he lives in, etc) and

(ii) then dividing this total amount by the **total number of days the worker works**.

The result of the above calculation will be the equilibrium toward which the daily wage will tend. This equilibrium will be determined by **spontaneous "market forces"** (such as competition) in the absence of external authority. **Workers who try to get a higher wage than this will find little demand for their labor**.

4. This immediately introduces the matter of **surplus value**.

For example, if a worker needs to eat **20 thousand pounds** of bread in the course of his lifetime but in that same lifetime of labor can create (ie: raise the wheat, bake the bread) **50 thousand pounds** of bread--then the worker will, over the course of his lifetime create a surplus value of **30 thousand pounds** of bread.

Note: In order to keep this example as simple as possible I am ignoring the fact that the amount of labor required to maintain the life of the worker will depend on the worker's level of material well-being -- which itself is a product of the social system (ie: feudal or capitalist, etc) and the history of workers' struggle. So in the above example our imaginary worker must do without clothes or shelter--or any food other than bread--so he is a naked, homeless, vegetarian worker. If the example were more realistic then the particular numbers used might be different--but readers will get the general idea: the worker can create more wealth than he needs to live and reproduce.

5. From this simple example--alert readers will note that the concept of **inequality** has been introduced--even though all exchanges have been of **equals**. What is the source of this inequality?

The source of the inequality is **the only commodity that has the "mysterious" quality that it creates more than it costs to buy**--and for this reason is the **source of all wealth**: the workers' labor.

(Note: For the sake of simplicity I leave out the fact that nature is also a source of original wealth: for example fertile land, petroleum, etc.)

The labor theory of value helps us understand that even in the absence of a state (or any kind of central authority) "market forces" and competition will act in such a way that workers will receive in exchange for their labor only enough to live on and reproduce future workers.

Simply put: The **worker's daily wage** will (by the operation of market forces) be **based on what he needs to survive and reproduce**. But on a given day the worker can **create more wealth** than this. The amount by which the workers' daily production exceeds his daily wage (ie: the **surplus value**) will belong to the owner of the outfit that employs the worker. (And, as we shall see, this surplus value will eventually **accumulate** and become the original source of capital.)

The consequence of this can be seen when **technology** allows for an **increase** in the **productivity of labor**. If the worker can use technology to create **twice** as many pounds of bread--this doesn't necessarily mean that he will receive more bread in exchange for his work -- on the contrary, his wage will still tend toward an equilibrium that is based on **what he needs to survive**.

6. As commodity exchange develops a greater variety of complex goods and services are created--and economic exchange becomes greatly facilitated by the emergence of a *special commodity* which has a widely recognized value--and for this reason is easy to exchange for all other commodities.

This special commodity is known as the **money-commodity**.

Probably the best example of an early money-commodity was the number of animals that a tribe owned. **Cattle** could be exchanged for all kinds of goods. And a tribe that had a lot of cattle, for example, was a wealthy tribe.

More than this--the development of a money-commodity **made transactions possible** that would otherwise not have been practical. For example a trader with a fifty pound bronze ingot from a distant land might trade the ingot for several local cattle which could then be traded for goods with people who had little use for the bronze (because they lacked the technology to work with it).

As primitive economies developed the **money-commodity evolved** in order to facilitate this development. For example not all cows are the same size and in the same state of health--and it is awkward to trade something for half of a cow. But when **silver** or **gold** became the money commodity--these kinds of fractional transactions became much easier.

As exchanges continued money evolved to become a "thing in itself" which traders would seek to accumulate--rather than simply a universal commodity used to facilitate the exchange of other commodities.

7. As the economy continues to evolve it becomes necessary to **rent money** for a temporarily period in order to facilitate more complicated transactions (ie: I will use the money I borrow to buy seed and tools--and then pay the money back after I grow the crop).

Just as other commodities (like a hoe or a wheelbarrow) might be rented in exchange for money--so was money also rented in exchange for an amount of money that was paid on top of the return of the original amount. This money that was paid for renting money is called **interest** and the money that is rented (and which increases in value when the interest is added to it) is called **capital**.

8. Money (and capital) continue to evolve in order to make possible a more complex and powerful economy where workers use tractors and computers rather than digging sticks and clay tablets.

Money evolves into more abstract forms such as credit accounts and complex securities such as derivatives.

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9. At this point we have covered thousands of years of human economic development and must note that money was not the only thing that was needed to make possible increased trade and the circulation of capital.

10. The ability of workers to grow more food and create more goods than needed for survival probably emerged about the time that metal tools were invented--because such tools **increased** the **productivity of human labor**.

From the time that a worker (whether as slave, serf or wage worker) could create more in a day than he needed to survive--his work created surplus value--and **led to a division** in society between those with property and land and those with none (ie: **between rich and poor**).

11. The **state** was developed historically as a **tool**, a machine, to **protect the class interests of the propertied class** which emerged from the economic division of society.

The state also served an important secondary function: it provided a means for the ruling class to **resolve their internal disputes** and help organize the life of society.

In particular, the evolution of the modern economy (and money, capital, etc) required the development of a complex state machine to **make** and **enforce** the common **rules** which **regulate** (ie: make possible and make safe) the **flow** of investment and **capital**.

12. The **modern bourgeoisie** (ie: the class attached to the circulation of capital) emerged in Western Europe roughly in the period between 1400 and the mid-1800's. During this period the capitalist mode of production--and the bourgeoisie--became an increasingly powerful social force and removed one barrier after another to the **expansion of capital** before finally **pushing aside** altogether the previous ruling class (ie: the **feudal aristocracy**) and creating the **modern bourgeois state**.

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13. As capitalism continues to expand there is a gradual **consolidation** as **larger enterprises gobble up smaller ones**. One company outcompetes its rival companies (ie: figures out how to make stuff cheaper or better by squeezing the workers harder, using new technology, or improving its products or methods--and drives its rivals out of business and absorbs the best part of their workforce, assets and customers). This consolidation takes place **at all times** but is **accelerated** during the period of economic contraction that follows a period of economic expansion. The larger enterprises often enjoy better access to capital, **economies of scale** and all the efficiencies that emerge from the **division** and **specialization of labor**.

Eventually the consolidation reaches its logical conclusion--where all the enterprises in an industry unite into a single combined enterprise called a **trust**. This stage of development is sometimes called **monopoly capitalism** and it was attained in Western Europe and the US in the period around 1900.

(Note: modern bourgeois states often restrict--or even refuse to allow--the final act of consolidation--because the combined enterprise would then in a position to charge **monopoly rent** which would then have to be paid by other sections of the bourgeoisie. These **anti-trust policies** therefor work for the benefit of the bourgeoisie as a whole by reducing the economic distortions that would otherwise be created by monopoly rent.)

The period of monopoly capitalism is also the period of **modern imperialism** (as opposed to earlier forms of imperialism) characterized by a great expansion of the export of capital, the completion of the division of the world market and **world wars** between **opposing blocks** of imperialist nations.

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14. I should probably add one other "law" which comes to dominate any economy based on commodity production. That is the existence of what economists call **externalities**. An externality is any kind of "non-economic cost" associated with the production-distribution-consumption process which is inflicted on the masses.

The classic example of an externality is **pollution**. If a factory can get away (as it often does) with polluting the air or water or soil--then the factory owners do not pay for this pollution: the masses do--in the form of decreased health.

The **economic weightlessness** of externalities despite their impact on the health and safety of workers is reflected in the simple fact that a ton of coal sells the same with or without a miner's blood on it.

Other examples of externalities may include: (a) the social/medical cost of unhealthy products like tobacco and greasy **fast foods** (b) the social cost of **advertising** which attacks the inner-world and self-concept of the viewer (c) the social cost, to future generations, of the wholesale **extinction** of entire **ecosystems** as rainforests are chopped down for valuable wood or farmland and (d) in a far more general sense--the enormous social cost of **imperialist war** or of **keeping the masses ignorant** and **passive** as is required for the maintenance of bourgeois rule.

Externalities are **inevitable** in any economic system in which the value of anything that is created can be **reduced to a single number** (ie: the exchange value in terms of money) because the **real cost** and **real value** of anything that is created can only be correctly understood across **multiple dimensions** such as: (a) consumption in the present vs. investment in the future, (b) local vs. international development, (c) impact on ecosystems, etc. For example:

(a) A decision to change the way nutritional information is labelled on food may have an initial cost in dollars but in the long term lead to an improvement in the health consciousness of millions of people.

(b) A decision concerning whether to build a factory next to other similar factories--or in a distant location such as Bangladesh--may impact opportunities for training, education and development in Bangladesh that outweigh the savings realized by building the factory next to already existing infrastructure.

(c) A decision to build a factory where a rain forest currently exists might harm an ecosystem representing a treasury for future generations--and this harm would tend to outweigh the dollar value of whatever is saved by building the factory on that location.

Externalities also existed in many forms in the former Soviet Union. Not only did Soviet factories produce notorious amounts of pollution--but a factory charged with creating X tons of bolts might, for example, fulfill its quota in the easiest way by making the bolts in the sizes that were the cheapest to produce--rather than in the sizes that were needed for the economy: resulting in shortages of some items and oversupplies of others. **Externalities exist whenever any producing unit has an incentive to "look good" rather than "be good".**

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At this point I will end my description of these laws (and, again--my apologies to readers if I have inadvertantly mutilated these laws out of ignorance). In a certain sense I have simply described history--because the operation of these laws has shaped history. Empires and civilizations have emerged and fallen as a result of the operation of these laws. In the final chapter of Engels' "The Origin of the Family, Private Property, and the State" (titled "Barbarism and Civilization") Engels notes: "*These economic laws of commodity production are modified with the various stages of this form of production; but in general the whole period of civilization is dominated by them.*"

Excerpted from The World for which We Fight
by Ben Seattle, March 2004

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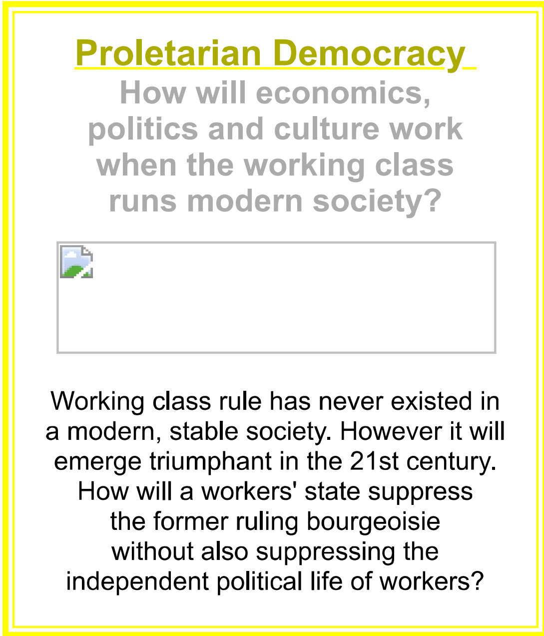
Proletarian Democracy

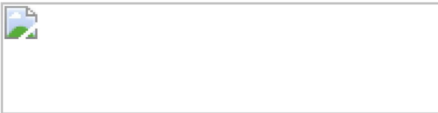
How will economics, politics and culture work when the working class runs modern society?



Working class rule has never existed in a modern, stable society. However it will emerge triumphant in the 21st century. How will a workers' state suppress the former ruling bourgeoisie without also suppressing the independent political life of workers?

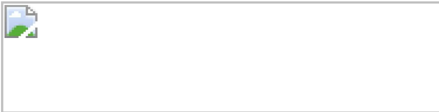
The Anarcho-Leninist Debate on the State

The debate question:
In the period immediately following a successful mass uprising against the bourgeoisie, should the form (or forms) of organization adopted by the proletariat to secure its ultimate liberation be understood to be a state?



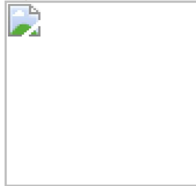
Do you have ideas Or do ideas have you?

The History of the Universe



The self-organization of matter from the big bang to the future ...
From the dawn of life to the self-organizing moneyless economy

Proletarism is anti-revisionist Marxism for the 21st century



From the Russian workers' movement (with experience in underground organizing under the rule of Brezhnev's "communists" and militant strikes under the rule of Yeltsin's "democrats") has come a proposal to recognize, with a new name, a decisive break with the treachery of the "communist" leadership -- which enslaved the working class and betrayed the revolutionary movement in a way comparable to the great betrayal of 1914.
(with Timeline and Forum for questions or comments)