

THEORISING MILITARY PRODUCTION

CHAPTER TWO, Section A

REVISITING ADAM SMITH'S VIEWS ON 'UNPRODUCTIVE LABOUR' THE PUBLIC DEBT AND WAR

1. Introduction

Karl Marx's economic thinking, as is wellknown, was shaped through long years of critical reflection on the theoretical views of the 'political economists', the school of theoreticians founded when British capitalism was still in its infancy, in the late 18th century. Both Marx's labour theory of value, and other aspects of Marx's economic system of thought, avowedly owed much to the theoretical work of his precursors. In the *Paris Manuscripts* (1844), for instance, the manuscript which Marx drafted in his formative period, and in which he laid down the framework of his own economic and philosophical views, - Marx hailed Adam Smith and other political economists for having admitted that labour is the source of all social wealth. They are credited with having understood that capital is nothing but accumulated labour. Regarding Smith, Marx states: 'he tells us that originally and in theory the whole produce of labour belongs to the worker'. (1)

Since Marx did not develop his own theory in a vacuum, but in constant dialogue with his 'bourgeois' precursors and contemporaries, Marx's followers have for over a century been led to believe that Marx's own system was the true culminating point of theory-building, that his own conceptual apparatus was in every respect superior to that of the 'political economists'. This view regarding the intellectual superiority of Marx's system was propagated both by Marx's closest associate, Fredick Engels, and by V.I.Lenin. Both argued that Marx had integrated the most advanced ideas of other European economic thinkers in his own theory. 'With genius', Lenin wrote, 'Marx consummated' 19th century English political economy' (2).

In this and the next two instalments of Chapter Two, I will try to show that this presupposition of orthodox Marxism is not fully tenable, that in order to devise a theory about the role of military production in capitalist economies, we need to take account of 'preparatory' analytical work undertaken by Adam Smith and other 18th and 19th century political economists, ignored by Karl Marx. To an extent I have already made my point when referring to the diagram on reproduction devised by the physiocrat theoretician Quesnay (3). In the present instalment I will show the need to reconsider the analytical work of Adam Smith. Writing on the eve of the Industrial Revolution in Great Britain, Smith was well aware of the fact that the wars Britain fought in the 18th century to gain world supremacy had negative economic consequences for the country. Although Adam Smith did not develop a specific theory of military production, some of his views, such as

on public debt and on unproductive labour, are useful as source of reflection for theory-building.

2. Smith's Major Drawback According to Marx: Constant Capital is 'Spirited Away'

Let's first recall the major drawback of Adam Smith's economic theory that was pointed out by Marx. When initiating his own discussion on the reproduction of the aggregate social capital, in the third part of Capital II, Marx extensively discussed Adam Smith's analysis of the composition of the annual social produce. Unlike his physiocrat precursor Quesnay, - Smith did not devise a comprehensive diagram regarding the reproduction process in capitalist society as a whole. Yet he did comment on the accumulation of *aggregate* capital, i.e. the capital of all entrepreneurs combined. According to Smith, the annual social produce consists in *wages, profit and rent*. These he considered to be 'the three original sources of all revenue as well as of all exchangeable value'. Thus, Smith as early as the late 18th century, discussed the meaning of the concept of national income. (4)

Now, Marx recognized that Smith's statement gave expression to the view that labour is the source of all social wealth. It reflected his conviction that the price of every single commodity as well as the price of the total social produce, i.e. of all commodities combined, can be divided into two parts, - one part, i.e. 'necessary value' being the equivalent of the workers' wage, the other containing the 'surplus value' appropriated by the entrepreneur. In other words, the annual total value of commodities can be divided, split up into two aggregates, v and s : the two sections of living labour (variable capital v and surplus capital s) which according to Marx form a part of the value of all commodities that entrepreneurs bring onto the market. As Marx explicitly states, Adam Smith's dogma can be reduced to this that a country's total annual commodity value is equal to $v + s$ (5).

While on the positive side Smith, in proposing his formula on the value composition of the annual produce, gave recognition to the toil of the working class, - Marx severely criticised Smith for having ignored the role of constant capital c . For, as Marx pointed out, the new commodities brought onto the market by the entrepreneurs do not only contain the value of living labour, but also contain the value of means of production incorporated in the new commodities. The new commodities also contain the value of raw materials, of product components, as well as the value elements transferred from machinery used in the factories. These means of production of course do contain the labour of (industrial) workers, but contrary to v and s which represent *living* labour, they represent past, i.e. *dead* labour. Nevertheless, unless the factor of constant capital c be taken into account separately, our understanding of the value composition of the annual produce would be wrong (6).

The above-summarized critique of Smith's views by Marx illustrates what I have stated in the introduction to this instalment: that Marx devised his own economic theory through a process of intense critical reflection on the views of his immediate precursors,

the political economists. Marx called Smith's formula on the value of commodities (wages, profit plus rent) an 'absurd formula'. He unearthed a basic error in thinking and then devised his own formula $c + v + s$ in opposition to Smith's views. Yet does this mean that Marx's own economic theory is in all respects superior to, or more complete than, Smith's? In have previously (7) argued that Marx continued to share certain prejudices with his 18th century precursor. Below I will go further and show that Smith had more to say on the sources of revenue of the capitalist state, and their relation to militarism/war, than Karl Marx.

3. A Thematic Posed by Adam Smith: The Indebtedness of the British State

Marx's critical evaluation of the theory of Adam Smith, one can understand, was important as part of the process whereby Marx clarified his own thought. Looking at the intellectual process Marx undertook in *Capital II* to dissect and explain, first, the circuit of individual capital, and then the process of accumulation of aggregate capital, one can see that the critique of Smith's 'oversight' of constant capital, formed an elementary part of Marx's intellectual process. Yet a close rereading of Smith's main theoretical work, *The Wealth of Nations*, brings out that in his evaluation Marx skipped portions of Smith's two-volume book which for an analysis of the state and militarism are crucial portions indeed: namely the sections in which Smith presented his analysis regarding the sources of state revenue. Here Smith covered both methods of taxation and methods of borrowing. He focused mainly on the policies of the *British* state.

As to *taxation* – since Great Britain by the late 18th century, when Smith wrote his treatise, had emerged as the European country with the largest and most powerful world empire, the country's rulers had a definite interest in maintaining an effective system of taxation. Smith analysed the differential social effects of a whole gamut of tax forms. He offered general guidelines for state taxation; looked at the impact of individual taxes on the process of social reproduction, realising for instance that many taxes often are not paid from the sources of revenue 'upon which they were intended to fall' (8), he significantly suggested that the state should primarily raise taxes on luxury items bought by 'the inferior ranks', i.e. by members of the working class (9). And in a rare instance, i.e. when referring to a tax on licences for retail shops towards the sale of ale and spiritual liquor, he pointed out that this tax had been introduced in time of war (10).

As to *state borrowings* – Smith squarely argued that the high public debt incurred by Great Britain and by other capitalist countries was a direct consequence of the waging of wars. 'The want of parsimony in time of peace imposes the necessity of contracting debt in time of war. When war comes, there is no money in the treasury but what is necessary for carrying on the ordinary expense of the peace establishment. In war an establishment of three or four times that expenses becomes necessary for the defence of the state, and consequently a revenue three or four times greater than the peace revenue' (11). Although the state, to augment the strength of the infantry and the navy, and to provision the garrisoned towns with arms and ammunition, can impose new taxes,

the results will not come immediately, but gradually. 'In this exigency the government can have no other resource but in borrowing.' (12)

Further, Smith carefully recorded the dramatic escalation of Britain's public debt through the 18th century, and demonstrated with precise figures how the almost incessant increase in the public debt was singularly related to the wars which the state fought to gain its hegemonic position in the world. In this context he also pointed out the ineffectiveness of the policy of '*anticipation*'. The state reserved the income from certain taxes, which were meant to be temporary, 'in advance' for the repayment of state loans. Yet the size of the public debt burden became so large that taxes only suffices to help repay the *interest* on the loans incurred. Smith here does not hide his sense of sarcasm about the lack of foresight among the state's policymakers: 'To relieve the present exigency is always the object which principally interests those immediately concerned in the administration of public affairs. The future liberation of the public revenue they leave to the care of posterity.' (13)

When discussing Britain's 18th century public debt problem, Adam Smith got peculiarly close to taking an antimilitarist position. For not only did he question the wisdom of allowing the public debt to expand, - he considered the use of capital funds for the waging of war itself to be objectionable. In re-channelling capital towards the maintenance and expansion of the state's armed forces, he argued, public policymakers prevent the same capital from being invested otherwise. As he stated, the state's loans formed 'a certain portion of the annual produce turned away from serving in the function of a capital, to serve that of a revenue' (14) And he unhesitatingly argued that the diversion of funds towards the state's army was wasteful in nature: it was capital 'withdrawn from certain employments in order to be turned towards others'; it was capital '*turned away from maintaining productive labourers to maintain unproductive ones*, and to be spent and wasted, generally in course of the year, without even the hope of any future reproduction.' (15)

4. A Re-assessment of Smith's View On 'Unproductive Labour'

The last-mentioned quotation invites a further commentary on Smith's views. Adam Smith's conceptualisation of 'productive' and 'unproductive' labour constitutes a better starting point for our discussion of the military sector than does the conceptualisation of Karl Marx. According to Marx, the concept of '*productive labour*', just like that of 'productive consumption', should be used exclusively to designate labour that results in surplus value, in the accumulation of new (money) capital. As we have seen in the first instalment of Chapter One, Marx held a squarely capitalist notion of 'productive consumption'. Again, only such labour as results in an enlargement of capital can be considered 'productive', Marx held. Only wage labour which (directly) creates additional value for the capitalist owner, on top of the value needed to reproduce the labouring strength of the wage labourer himself, can count as productive labour.

Here Marx diverged from, and in a way 'retreated from' the view held by Adam Smith. Thus, in his *Grundrisse*, the manuscript which Marx wrote in preparation of *Capital*, Marx critically commented on Smith's notions regarding productive and unproductive labour (16). Contrary to Marx, Smith and other political economists (notably John Stuart Mill) attached the notion on 'productive' to all labour that results in the accretion of (material) economic wealth. What mattered in their view was not whether that accretion of wealth occurred in the service of capital, but whether the new wealth consisted in material goods. Productive labour did not include the mental labour of musicians, writers and state functionaries, but it did include the all labour by waged and non-waged members of the working class that results in tangible goods (17).

Now, this notion of Smith's is not a clear-cut anti-militarist notion, no more than is Marx's. To address Marx's notion first, - if all creation of surplus value is to be considered 'productive', the labour of waged workers in Department III, where means of destruction (MD) are manufactured, should be termed productive as well. No matter how wasteful the commodity, - the accretion of the mass of capital in the hands of weapons' manufacturers suffices to term the labour of the workers employed by them as 'productive'. Smith's notion that all creation of material goods is 'productive' similarly implies that the labour involved in the construction of fighter planes and submarines should be termed 'productive'. Here again the notion does not help ensure that the term 'productive labour' be applied only to such labour as is employed to enlarge society's wealth.

Yet Smith decried to 'perversion' of using Britain's wealth towards the maintenance of 'unproductive labourers'. He did argue that the diversion of the country's stocks for war purposes tended to decrease the amount of capital available for the enlargement of the country's wealth. In his view, members of the armed forces were surely to be considered '*unproductive labourers*', whose activities did not add to the country's stock of material goods. While he did not apply the concept of 'unproductive' labour to the work of the waged workers who manufacture arms, he did designate as 'unproductive' the activities of the soldiers who used those same arms in the course of Britain's frequent wars. Moreover, since the conceptualisation of productive labour which he and other classical economists proposed, focused on the nature of the output, it is a more convenient starting point for the conceptualisation of labour in Department III, than is Marx's (18).

5. Conclusion

In a previous instalment, I have argued that the father of the physiocrats, Francois Quesnay, held views on the process of social reproduction, which are of relevance for the task of theorising military production. In the present instalment, I have endeavoured to demonstrate that the same is true for (some of) the views stated by Adam Smith, the father of political economy. Smith was criticised severely by Karl Marx for having ignored the fact that the country's annual produce does not only consist in the value components representing *living* labour, but also incorporates value representing *past* labour, i.e. the value of means of production used in the manufacturing process.

Nevertheless, a rereading of Adam Smith's two-volume book on economic theory is a useful exercise, since it helps us gain insights into the relationship between Britain's 18th century public debt, and the wars the country's rulers fought during that century. Moreover, Smith's conceptualisations of *productive* and *unproductive labour* can (more easily than Marx's) be used to visualise the waste of labour that occurs in the Department where means of destruction are built.

References:

- (1) Karl Marx, *The Economic and Philosophical Manuscripts of 1844* (International Publishers, New York, USA, 1973, p.70);
- (2) V.I.Lenin, *Karl Marx* (Foreign Languages Press, Peking, People's Republic of China, 1976, p.8);
- (3) see Chapter One, Section B;
- (4) Karl Marx, *Capital. A Critique of Political Economy. Volume II* (Progress Publishers, Moscow, USSR, 1967), p.376; Adam Smith, *An Inquiry into the Nature and the Causes of the Wealth of Nations. Volume I* (J.M.Dent & Sons Ltd., London, 1931a), p.46;
- (5) Karl Marx (1967), op.cit., p.374;
- (6) for a more elaborate summary of Marx's critique, see also Rosa Luxemburg, *The Accumulation of Capital* (Monthly Review Press, New York, USA, 1964), Chapter III, 'A Criticism of Smith's Analysis', p.64;
- (7) for a critique of the common bias underlying Smith's and Marx's view on the value of commodities, see Peter Custers, *Capital Accumulation and Women's Labour in Asian Economies* (Zed Books/Vistaar Publications, London/New Delhi, 1997, p.86);
- (8) Adam Smith, *An Inquiry into the Nature and the Causes of the Wealth of Nations. Volume II* (J.M.Dent & Sons Ltd., London, 1931b), p.307;
- (9) Adam Smith (1931b), op.cit., p.369;
- (10) *ibid*, p.334;
- (11) *ibid*, p.391;
- (12) *ibid*, p.392;
- (13) *ibid*, p.397/398;
- (14) *ibid*, p.497;
- (15) *ibid*; that Smith's position was not consistently antimilitarist is brought out by other statements in his books, such as: 'the art of war . . . is certainly the noblest of all arts'(p.187), and 'the invention of firearms, an invention which at first sight appears to be so pernicious, is certainly favourable both to the permanency and to the extension of civilisation'(p.198);
- (16) Karl Marx, *Grundrisse – Foundations of the Critique of Political Economy* (Rough Draft) (Penguin Books, London, 1974), p.305/306;
- (17) for Smith's discussion on productive and unproductive labour, see Adam Smith (1931a), op.cit., p.294; also Thomas Chalmers, *On Political Economy in Connection with the Moral State and Moral Prospects of Society* (William Collins & Co., Glasgow, 1832), p.332; and John Stuart Mill, *Principles of Political Economy with Some of their Applications to Social Philosophy* (John W.Parker, West Strand, London, 19..), p.54;
- (18) Adam Smith (1931b, op.cit., p.308) for instance decries 'the great perversion of the annual produce from maintaining productive to maintaining unproductive hands'during Britain's 'many and unnecessary wars'; Smith's critical comments should be understood in the context of the enormous expansion in the size of state armies, as capitalism rose in Europe – see Geoffrey Parker, *The Military Revolution. Military Innovation and the Rise of the West, 1500-1800* (Cambridge University Press, Cambridge, Great Britain, 1988), p.24.