

# Productive/Unproductive Labour

## A Note on Marx's Critique of Adam Smith

---

Ajit Sinha\*

---

### Introduction

In this brief note I intend to clarify a common misinterpretation on the question of productive/unproductive labour in Marx.<sup>1</sup> The distinction between productive and unproductive labour was quite critical to classical economists, including Marx, given their central concern with surplus production and accumulation. It is generally understood in Marxist circles that Adam Smith distinguished between productive and unproductive labour on the basis of the *nature of the good produced*, that is whether the good took a material or immaterial form. Marx is taken to have criticised Smith for this 'error'. I shall argue that Marx's target in his critique of Adam Smith was quite different from the received opinion.

### Two Definitions of Productive Labor in Adam Smith

In Book II, chapter 3 of the *Wealth of Nations*, Adam Smith begins his discussion of productive and unproductive labour by stating:

There is one sort of labour which adds to the value of the subject upon which it is bestowed: there is another which has no such effect. The former, as it produces a value, may be called productive; the latter, unproductive labour. Thus the labour of a manufacturer adds, generally, to the value of the materials which he works upon, that of his own maintenance, and of his master's profit. The labour of a menial servant, on the contrary, adds to the value of nothing. Though the manufacturer has his wages advanced to him by his master, he in reality, costs him no expense the value of those wages being generally restored, together with a profit, in the improved value of the subject upon which his labour is bestowed. But the maintenance of a menial servant never is restored. A man grows rich by employing a multitude of manufacturers: he grows poor, by maintaining a multitude of menial servants. The labour of the latter, however, has its value, and deserves its rewards as well as that of the former. But the labour of the manufacturer fixes and realizes itself in some particular subject or vendible commodity, which lasts for some time at least after that labour has past. It is, as it were, a certain quantity of labour stocked and stored up to be employed, if necessary, upon some other occasion. That subject, or what is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to that which had originally produced it. The labour of the menial servant, on the contrary, does not fix or realize itself in any particular subject or vendible commodity. His services generally perish in the very instant of their performance, and seldom leave any trace of value behind them, for which an equal quantity of service could afterwards be procured. (Smith, 1936, pp.313-14).

Marx's critique of Smith in *Theories of Surplus Value* (TSV from now on) is primarily concerned with the above-quoted long paragraph from Smith.<sup>2</sup> He correctly identifies two distinct definitions of productive labour here: "we find jumbled together in his [Smith's] presentation two conceptions of what he calls productive labour, ..." (Marx, 1952, p. 148 [TSV I, ch. IV, p. 152]). One definition refers to productive labour as the labour that "adds, generally to the value of the materials which he works upon, that of his own maintenance, and of his master's profit". Here productive labour is defined in the specific context of the capitalist mode of production. The worker is a wage labourer who does not only reproduce his/her wages but also produces a profit for the capitalist. Therefore, only wage labour that produces profit is defined as *productive labour*. The formal circuit in which employment of labour is defined as productive labour is given by M-C-M', where  $M' > M$ .<sup>3</sup>

The second definition in Smith refers to his statement, "But the labour of the manufacturer [productive labour] fixes and realizes itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past. It is, as it were, a certain quantity of labour stocked and stored up to be employed, if necessary, upon some other occasion. That subject, or what is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to that which had originally produced it." There are two separate issues interwoven in the above statement. One deals with the nature of the product, and the other deals with the social relations of production.

### The Received Interpretation

As I mentioned at the outset, the one issue that is universally recognized by Marxist critics is the one that relates to the 'materiality' and 'immateriality' of the result of the labour process. The emphasis here is on the *vendible commodity*. Marxist scholars have claimed that Smith's second definition of productive and unproductive labour rests on the nature of the *use-value* produced, that is whether the product takes a material form or not. For example, Gough claims, "Smith also saw productive labour as that which 'fixes and realizes itself in some particular subject or vendible commodity, which lasts for some time at least after labour is past,' while services are unproductive labour because they 'generally perish in the very instant of their performance, and seldom leave any trace or value behind them'. Thus this second distinction was based on the *material characteristics of the product*, rather than on the social relations embodied in the labour." (Gough, 1973, p.52, emphasis in original). In the same vein Leadbeater says, "Marx considered that Smith held two interwoven but contradictory means of distinguishing productive labour. In the second of these two, Smith maintained that productive labour is labour that is realized in material or 'vendible commodities' while unproductive labour produces no material commodities." (Leadbeater, 1985, p.602)

This reading directly situates the TSV discussion as primarily a critique of the category of productive labour based on the *use-value* aspect of the product. Frequently Marx's statement that, "An actor, for example, or even a clown, according to this definition, is a productive labourer if he works in the service of a capitalist ..." [TSV-I, ch.IV.3; p. 157]; is given to buttress this claim.<sup>4</sup> There is no doubt that the gist of Marx's discussion in *Theories of Surplus Value* is to establish that the categories of productive and unproductive labour must be sought in the capital-labour relation and not independent or outside of it:

Productive labour is only an abbreviated way of expressing the whole relationship and the form and manner in which labour power figures in the capitalist production process. But it is of the greatest importance to distinguish it from other kinds of labour, since this distinction expresses precisely the

distinct form of that labour on which is based the whole capitalist mode of production and capital itself. (Marx, 1952, p.181 [TSV I, Addenda 12.b, p.396]).

It is, however, difficult to maintain that the distinction between the 'material' and 'immaterial' nature of the product in Smith is Marx's basic object of attack in TSV. In section (b) of the chapter on productive and unproductive labour, which discusses 'Definition of Productive Labour as Labour which produces *Commodities*', Marx states:

Hence it is clear that in the same proportion as capital subjugates to itself the whole of production—that is, all commodities are produced for the market and not for direct consumption—and the productivity of labour rises to the same degree, a material difference between productive and unproductive labour will more and more develop, inasmuch as the former, with minor exceptions, will exclusively produce commodities, while the latter, with minor exceptions, will perform only personal services. The former class will consequently produce the immediate material wealth consisting in *commodities*, all commodities except that which consists of labour power itself. This is one of the considerations which prompt Adam Smith to add other points of difference, in addition to this first *differentia specifica* [labour that produces profit] by which they are defined in principle. (Marx, 1952, p.157 [TSV I, ch. IV.3, pp. 160-61]).

Here Marx quite explicitly acknowledges that, once capital penetrates all spheres of production, the division of productive and unproductive labour based on the capital-labour relation and revenue-labour relation<sup>5</sup> will increasingly manifest itself in the *nature* of the product, in the former case a *material commodity* and in the latter case an *immaterial service*. Thus, in a totally pervasive capitalist economy, with which a scientific category must be concerned, the two definitions of Smith, if the second one is based on the materiality or immateriality of the product, are not contradictory.

It is well known that Marx was of the opinion that 'immaterial' production under the capital-wage labour relation is "so insignificant compared with total production that it can be left completely out of account." (*Ibid.*, p.195 [TSV I, Addenda 12.h, p. 411]).<sup>6</sup> Most Marxist scholars acknowledge the quotation but swiftly brush it aside on the grounds that: "It is generally recognized that at the time when Marx was writing 'immaterial' production fell almost exclusively under the 'service' or 'revenue' relation. The labour of immaterial products was exchanged directly against revenue. Observing the limited manifestations of capitalism in this sphere, Marx merely left it out of account." (Bullock, 174, p.8). In the light of the above-quoted passage from Marx (cf. 1952, p. 157), it is no longer obvious that Marx's advice to leave 'immaterial' production aside is based only on the empirical situation prevailing in his time. For, in the above-quoted passage, it is the development of capitalism that is expected to bring about the situation where productive labour will more or less coincide with 'material' production and unproductive labour with 'immaterial' production.

I agree with Hunt (1979) that Marx sends confusing signals on this account, at least in TSV. One reason why the issue of 'material/immaterial' production has remained unresolved could be that this never was the central aspect of Marx's critique of Adam Smith's definition of productive/unproductive labour, as we will see below.

## My Interpretation

Let us recollect the second definition of productive and unproductive labour in Smith, which is what Marx's criticism is concerned with in *TSV*. Along with the fact that "the labour of the manufacturer [productive labour] fixes and realizes in some particular subject or vendible commodity", Smith goes on to say that "*That subject, or what is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to that which had originally produced it.*" I submit that Marx's criticism of Smith's second definition does not emphasize the vendible commodity aspect but rather the term *equal*. It is quite clear, at least to Marx, that in a capital-labour relation, that is M-C-M', M' > M circuit, a certain quantity of realized labour in a commodity will always put into motion a quantity of labour *greater* than that which had originally produced it; this is the cause of profit in Marx's framework. Then what does Smith mean by *equal*? As Marx correctly points out:

In this case it is the same as if the worker himself were the owner of his means of production. He must each year deduct the value of the means of production from the value of his annual product, in order to replace them. What he consumes or could consume annually would be that portion of the value of his product which is equal to the new labour added in the year to his constant capital. In this case, therefore, there would be no capitalist production. (Marx, 1952, p. 159 [*TSV I*, ch.IV.4, p. 162]).

Therefore, the shift from the first definition, where labour is productive if it produces *profit for his master* (wage labour being a part of the circuit of capital, M-C-M'), to the second definition, where a commodity commands an *equal* amount of labour in exchange, amounts to a shift from capitalist production to simple commodity production, which is characterized by the circuit C<sub>1</sub>-M-C<sub>2</sub>, where production is for consumption and not for accumulation: "Here the formal determination, the determination of productive and unproductive workers by their relation to capitalist production, is abandoned." (*Ibid*, p.159 [*TSV I*, ch. IV.4, p.162]).

Such a contradiction is typical of Smith, as Marx has noted in *TSV*: "In Adam Smith's definition of what he calls *productive labour* in contradistinction to *unproductive labour*, we find the same two sided approach as we found on every question up to now." (*Ibid*, p. 148 [*TSV I*, ch. IV.1, p. 152]). Smith is consistently dealing with two separate issues. He is, however, unable to maintain a theoretical separation between them because of a lack of the concept of *relations of production*. The first issue is the social division of labour, which gives rise to the necessity of commodity exchange. The second issue is the exchange of labour (labour-power) against capital. This exchange is the specific social relation of the capitalist mode of production and is predicated on a prior separation of workers from the means of production. Since Adam Smith does not have a concept of the *relations of production*, he is unable to separate the commodity exchange relation from the capital-labour relation. For Marx, however, a lack of the concept of *social relations of production* amounts to having an ahistorical object of knowledge. In Smith's case the object of knowledge is specified by production and exchange in general, and not by the *relations of production* under which production takes place. Therefore, when Smith looks at the capital-labour (labour-power) exchange, he defines productive labour as productive of profit. When he, however, moves his sight from capital-labour exchange to commodity exchange, the producer is identified with a simple commodity producer and is seen as productive so long as he/she produces his/her livelihood.

The separation of the circuit M-C-M' from the circuit C-M-C is the gist of Marx's critique of Adam Smith on the productive/unproductive labour issue, as discussed in *TSV*:

...for what as capital (hence the capitalist as capitalist) wants to produce is neither an immediate use value for self-consumption, nor a *commodity* to be turned first into *money* and then into use value [C-M-C, emphasis added]. Its aim is the *accumulation, the expansion of value, its increase*; that is to say, the maintenance of the old value and the creation of surplus value. And it achieves this *specific product* of the capitalist production process only in exchange with labour, which is therefore called *productive labour*. (*Ibid.*, p.185 [TSV I, Addenda 12.d p. 400]).

In order to make some sense out of Marx's ambivalent attitude toward Smith's parallel between the productive/unproductive and material/immaterial distinctions, it is important to understand why Smith identifies unproductive labour with 'immaterial' production. It is well known that Smith identifies productive labour with the labour that produces a fund that becomes a part of productive capital in the future. He comes very close to identifying unproductive labour with the labour that produces luxury items, even though they are material commodities. He, however, stops short of calling them unproductive only because, as luxury commodities depreciate over time, they begin to be used as wage goods: "The houses, the furniture, the clothing of the rich, in a little time become useful to the inferior and middling ranks of people." (Smith, 1936, p.330). The case of 'immaterial' products is another matter, however. In this case the production and consumption of the product cannot be separated in time. Political economy in general, including Marx's, is based on the idea that production of material conditions of life takes time (the harvest cycle for the Physiocrats), and during that time both the material for production and the maintenance of the workers come from the previous production cycle, that is the product of time  $t$  is consumed in time  $t+1$ . In the case of 'immaterial' production the two time periods collapse. Thus the nature of the product makes it impossible for it to be a part of the fund for the reproduction of the material condition. This is why Marx contends that mostly 'immaterial' production belongs to the circuit of revenue relation, where labour services are consumed directly as a commodity (use-value): "[where] production cannot be separated from the act of its producer, as is the case with all performing artists, actors, teachers, doctors, parsons, etc. ...the capitalist mode of production is met with only to a small extent, and from the nature of the case can only occur in a few spheres." (Marx, 1952, p.195 [TSV I, Addenda 12.i, pp. 410-11]).

In the light of the above discussion, I suggest that Marx's reference to even clowns, buffoons, singers, actors. etc. as productive labour if they are employed by capital was only intended to emphasize the point that productive labour must be defined first and foremost in the context of the capital-labour relation, and should not be read as his final position on 'immaterial' production. Marx's essential concern in TSV is the confusion in Smith between a product produced by *capital* and a product produced by a *simple commodity* producer.

---

\* Department of Economics, The University of Newcastle, Australia. My thanks to two anonymous referees of this journal for many helpful comments on the earlier draft of this paper. The usual caveat applies.

## Notes

- <sup>1</sup> For a good list of references on various issues related to the controversy over productive/unproductive labour in Marx, see Hunt (1979) and Mandel (1992).
- <sup>2</sup> This paper concentrates only on Marx's discussion of the subject in *TSV*. In the three volumes of *Capital*, Marx does not discuss Adam Smith's definition of productive labour. In the 'Appendix' of *Capital* vol. I, which was published in English for the first time in Vintage edition of 1977, Marx devotes about ten pages (pp.1029-1041) to the question of productive/unproductive labour. His discussion here does not add anything significant to the discussion in *TSV*. In *Capital* vols. II and III, however, the concept of productive labour is further narrowed by excluding all the labour employed in the circulation of commodities. This issue, of course, is not relevant to our present problem.
- In this paper I have quoted from the International edition of *Theories of Surplus Value* because I prefer this translation. The references to the relevant chapters and page numbers for more popularly available Moscow edition is given in the brackets for the reader's convenience.
- <sup>3</sup> As mentioned in note 2, at this stage Marx is only talking about the general circuit of capital, M-C-M'. Later in *Capital* II and III the circuit is expanded into M-C-P-C'-M', where P represents production as opposed to just circulation of commodities.
- <sup>4</sup> For similar statements in *Capital*, see *Capital* vol. I, pp. 644 & 1044.
- <sup>5</sup> Revenue-labour relation means hiring of labour-power for direct consumption of its service.
- <sup>6</sup> Given the preponderance of 'immaterial' production in the modern capitalist world, one may question the relevance of Marx's position on this point. This is not a place to discuss the issue, however. For a counter argument, see Mandel's 'Introduction' to *Capital* vol. II.

## References

- Bullock, P. 1974. "Defining Productive Labour For Capital", *Bulletin of the conference of Socialist Economists* 3(9): 1-15.
- Gough, I. 1973. "Marx's Theory of Productive and Unproductive Labour", *New Left Review* 76: 47-72.
- Hunt, E.K. 1979. "The Categories of Productive And Unproductive Labor In Marxist Economic Theory", *Science and Society* 43.3: 303-25.
- Leadbeater, D. 1985. "The Consistency of Marx's Categories of Productive and Unproductive Labour", *History of Political Economy* 17 (4): 591-618.
- Mandel, E. 1992. 'Introduction' to *Capital* vol. II, London: Penguin.
- Marx, K. 1952. *Theories of Surplus Value*. New York: International.
- \_\_\_\_\_ 1969. *Theories of Surplus Value*, Part I, Moscow: Progress Publishers.
- \_\_\_\_\_ [1867] 1977. *Capital* vol. I, New York: Vintage.
- \_\_\_\_\_ 1992. *Capital* vol. II, London: Penguin.
- \_\_\_\_\_ 1991. *Capital* vol. III, London: Penguin.
- Smith, A. [1776] 1936. *The Wealth of Nations*. New York: The Modern Library.