The Ideology of Four Factors of Production

'Modern' economics starts duping our young in the formative years in high schools and colleges with its ideology of *four* factors of production: *land*, *labour*, *capital* and *enterprise* (organization). With workers under capital's command, such ideological confusion of the so-called *factors of production* (the term employed instead of *forces of production*) with the *relations of production* became necessary to fortify the anachronistic, hence anti-social, existence of the capitalist class against Marx's exposure on their complete superfluity. Economics became 'modern' by driving out all the remnants of science transmitted from classical political economy. Without posing capital as a thing and capitalists as 'captains of industry' like the kings of the chess piece you cannot justify capitalist ownership and top-down control of the means of production and distribution.

The first step to 'modernise' economics in this way was taken by the American economist John Bates Clark (1847-1938), a proponent of the 'Marginalist Revolution'. He wrote some morsels: *Production Function, Marginal productivity – (i) Law of Diminishing Returns, (ii) Law of Variable Proportions, Marginal Productivity Theory of Distribution*, to tie wages to labour-productivity in order that profit could remain certain. A superficial observer might agree with him. Nevertheless, you cannot. Because of the inner dynamic of self-expansion of value, $\mathbf{V = c + v + s}$, where '**V**' equals Value, '**c**' equals constant capital, '**v**' equals variable capital and '**s**' equals surplus value. This works through the collectivity of all various individual capitalist enterprises operating under constant coercion of competition for profit i.e., the money name of surplus value '**s**'. The rate of profit ($\mathbf{s/(c + v)}$) has a tendency to fall, because the constant components of capital (instruments of labour and material of labour) tend to rise in relation to the variable component of capital (labour power represented via wage fund). Therefore, to offset the tendency capitalists constantly look for reforms and deceptive measures to raise the rate of exploitation ($\mathbf{s/v}$).

In a bid to justify profits, Clark in 1890 and Alfred Marshall (1842-1924) summoned up a psychological and individual incentive impelling capitalists to 'save', which explained the entire problem of the accumulation of capital. However, how do they 'save' from nothing?

'Risk and Uncertainty'

This prompted "The Chicago School" to train and send another vulgar economist Frank H. Knight (1885-1972) onto the battlefield with a dissertation – "Risk, Uncertainty and Profit" (1921) – making a distinction between "risk" (randomness with knowable probabilities) and "uncertainty" (randomness with unknowable probabilities). Thus, he gave a role to the entrepreneur in his theory of profit and produced one of the earliest academic ideological arrangements for justifying the profit system: the so-called law of variable proportions in the theory of production. Profit for him was a "reward of risk-taking", not the "insurable risk" that was "ascertainable, either by calculation *a priori* or by the application of statistical methods to past experience", "but only of a unique kind of risk, which is not susceptible of measurement". Rather like astrology.

This ideological defender of the profit system attributed profit to 'enterprise' and 'organization' for taking 'risk and uncertainty'. As though, risk and uncertainty are elements of surplus value, the phenomenal form of which is profit. Moreover, historically, who took up the 'risk' and entered the 'dark wood' of 'uncertainty' in the first place? How did capital originate?

In Antiquity, the social division of labour i.e., "the assassination of a people" (D. Urquhart, "Familiar Words" cited by Marx in *Capital*), coupled with private property i.e., social alienation, turned original social surpluses as social wealth into the private wealth of the master classes, which via pre-capitalist conquests and plunder eventually gave rise to the embryo of capital. Accumulated social labour of the past, further augmented by slaves and serfs, ultimately became capital with the advent of wage-labour. Nowadays, advances of money and materials appearing to be made by the capitalists are in fact advances previously made to them by the working class in the form of profits. Today you become a capitalist not by dint of your hard-acquired, self-earned and self-owned capital, but by borrowing debt-capital from banks, which go gathering society's savings, big and small. Therefore, the ideology about capitalists taking 'risk and uncertainty' is merely a fraud.

However, does 'risk' – no matter 'insurable' or 'uncertain' – contribute to production anyway? 'Risk' as to "gain or loss" is not a factor of production, but a factor merely in the distribution of the total profit, i.e. surplus value, among various contending factions of the capitalists. This "profit", however, comes out of the surplus or unpaid labour of the working class. Workers, as exploited wage-slaves, must produce "profit" if they are to remain in employment. Thus, "gain or loss" is a question of exchange on the market for realizing and sharing profits produced in production.

Knight went as far as to view all factors as capital to a greater or lesser degree and his 'public choice' view of political behaviour got going with some notes of the 'modern' Chicago School. The Chicago School pedigree with Knight, Friedman, Stigler and Co. revisited *laissez-faire* for 'individual freedom'. Nevertheless, if slavery (albeit wage-slavery) exists, how can slaves be 'free'?

Only two not four

An economic analysis of any product shows just two factors: *land* (nature) and *labour*. As William Petty, the founder of Political Economy, put it in 1672, "labour is its father and the earth its mother." (quoted by Marx, *Capital*, Vol. 1, p. 50).

Capital and enterprise are not elements of a product. Capital is not a thing, but a relation of production whereby dead labour (the product of previous stolen living labour) sucks living labour like a vampire. Capital is value that expands. It assumes the universal form of money and relates to wage-labour that produces products as commodities congealing more value than the value workers receive in wages. This process we call self-expanding value.

Money represents value (social labour) which in itself is not capital. In fact, it came into existence with private property and exchange. Beside its other functions, money only functions as capital under capitalism. Enterprise that personifies the process did once play, in the formative stage of capital, a functional, but *not* factorial, role. But no longer.

However, even now, with a globalized banking system spreading tentacles deep into the remotest rural end points, propaganda upholding a competitive life process creates a desire among many workers to escape their plight of wage-slavery via self-employment (self-exploitation), hard work and eventually employing wage-slaves to try for a chance using borrowed money (debt capital). Nevertheless, when gigantic multi-national companies have come to dominate the global market, numerous small enterprises are born only to be killed in the labour room except a few escapees.

Moreover, all the functions from top to bottom for capital's continued existence being performed by paid functionaries, i.e., by hired workers, entrepreneurship is practically redundant in the organization of the social division of labour. Organization of humans has always existed. Human nature being gregarious owing to their natural survivalist exigencies, the human species evolved organized since the beginning. However, organization passed through changing formations and relations – primitive communistic, slavery, feudalism, and capitalism – in accordance with the development of the forces of production.

While there can be no exchange without production, there was, is, and will be, production without exchange. This implies a society of associated producers producing things simply as products, as wealth for use, not as commodities for exchange with "gain or loss". "Within the co-operative society based on the common ownership of the means of production" (Marx) by the "associated producers" under democratic control with production for use that is Socialism, you do not have to measure 'risk and uncertainty' about production for profit. All you need is to combine human labour-power with materials that originally came from nature.