

are circulating capital according to Adam Smith's definition of it; but they are not yet wage-capital. They become wage-capital when, and only when, the distributor, instead of merely exchanging them, begins to turn his attention to the manner in which they are produced. For example, as a merchant, the distributor says to the shoemaker, "I will give you all the necessaries of existence for this or for that period, on condition that you give me in return for them a stated number of shoes." The distributor, when he turns his attention from exchange to the process of production, says to the shoemaker, "I will give you an even larger measure of necessaries, on condition that you produce your shoes in a manner which I myself will prescribe to you."

Here we see in its essence the function of wage-capital. The possession of it enables the distributor, by thus making its distribution conditional, to impose his own will and guidance on the industrial operations of those amongst whom he distributes it. He is able to assign to each of them a certain specific task, to ensure that each part, into which the ultimate product is divided, is fashioned in accordance with a certain prescribed pattern, and that a thousand hands are thus co-ordinated so as to produce a designed result. It is only in this way that fixed capital, such as implements and machinery, has developed from its rudest forms (to the fabrication of which the skill of individuals was equal) into the huge engines and multiplied mechanism of our factories, which embody the knowledge, the ingenuity, the imagination, the enterprise, of the strongest wills, and the keenest and most active intellects, that have ever been concentrated on the arts by which men keep themselves alive.

The modern machinery of production has been produced in this way only. In this way only—to say nothing of its continuous improvement—is it renewed and kept from perishing; and in the same way the products produced, multiplied, and cheapened by its means, are being determined from day to day in accordance with the world's needs. The directing