

producer of a certain form of capital—namely, capital as it exists in the form of modern machinery. What we have now to consider is the means by which this power of direction, or industrial guidance, is exercised. It is exercised by means of capital under another form. This is not circulating capital, as Adam Smith understands the phrase. It is not a stock of goods which are being constantly sold at a profit, and replaced as soon as sold, to the public customer, by those who purvey or make them. It resembles such stock in some ways; but in one way it profoundly differs from it. It consists essentially of goods which are the general necessities of life; but, instead of being sold by the capitalist to the outside public at a profit, they are virtually distributed by him to a special group of labourers, *on conditions*.

In any state of society, the great mass of mankind, in order to provide themselves with necessaries, must exercise manual labour. But where capital does not exist, or exists only in such forms as the Ruskinian plough, the necessaries which labour produces come to the labourer directly. Under such conditions each individual family may produce—and in certain places each family does produce—whatever it consumes and uses. The kind of capital with which we are now concerned, and which we may call wage-capital, makes its first appearance when labour begins to be divided, and each labourer or labouring family makes only one or perhaps part of one, of the dozen commodities required by it. When this state of things arises, the products of labour, on which all the labourers live, no longer come directly to any one of them. They come to each man indirectly, in the form of assorted commodities, which are portions of the direct products of various other persons, and for which he gives the whole of his own products in exchange. That is to say, the labourer's own products pass out of his own hands, and come back to him in the form of equivalents, through the hands of some distributor. For the distributor, who at first is no more than a merchant, the commodities which thus pass through his hands,