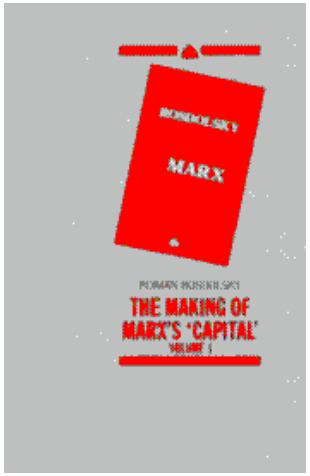
Roman Rosdolsky

THE MAKING OF MARX'S 'CAPITAL'

Translated by Pete Burgess



Pluto Press

HB
501
M5
R6813
cop. 2

First published in German by Europaische Verlagsanstalt GmbH
as *Entstehungsgeschichte des Marxschen 'Kapital'*
Copyright © Europäische Verlagsanstalt, Frankfurt am Main 1968

This translation first published 1977 by Pluto Press Limited,
Unit 10 Spencer Court, 7 Chalcot Road, London NW1 8LH
Copyright © Pluto Press 1977
0 904383 37 7

Designed by Tom Sullivan
Printed in England by Bristol Typesetting Company Limited,
Barton Manor, St Philips, Bristol

Contents

Author's Preface xi
Translator's Note xv

PART ONE. Introduction 1

1. The Origins of the *Rough Draft* 1

2. The Structure of Marx's Work 10
I. The original outline and its changes 10
II. When and to what extent was the first outline abandoned? 12
III. Previous explanations of the change in the outline 23
IV. The methodological import of the original outline 25
A. The first three 'Books' 25
1. Marx on the method and object of political economy 25
2. The 'trinity formula' of bourgeois economics 28
3. The three fundamental social classes 31
4. The 'transition from capital to landed property' and from 'landed property to wage labour' 35
5. The real function of the threefold division 39
B. The *Book on Capital* 40
1. The original subdivision of the *Book on Capital* 40
2. 'Capital in general' and 'many capitals' 41
3. The structural relation of the *Rough Draft* to *Capital* 50
V. The scope and probable explanation for the change in the outline 53
Appendix 1. The Book on Wage-Labour 57
1. Themes which were to have been included in the book 57
2. Why did Marx abandon the separate *Book on Wage-Labour*? 61
Appendix 2. Methodological Comments on Rosa Luxemburg's critique of Marx's Schemes of Reproduction 63

3. Karl Marx and the Problem of Use-Value in Political Economy 73

PART TWO. The First Formulation of Marx's Theory of Money 97
Preliminary Note 97

4. Critique of the Labour-Money Theory 99

5. 'Transition from Value to Money' 109
1. The necessity of the formation of money 109
2. The quantitative and qualitative aspects of the problem of value (the magnitude of value and the form of value) 118
3. The formation of money and commodity fetishism 123
4. The development of the internal contradictions of the money-form 130

6. The Functions of Money 135
A. Money as measure of value 135
1. Preliminary note 135
2. Money as measure of value 136

7. The Functions of Money 142
B. Money as medium of circulation 142

8. The Functions of Money 150
C. 'Money as money' 150
1. General comments 150
2. Money as hoard 151
3. Money as means of payment 158
4. Money as world money 162
5. Concluding remarks 164

PART THREE. The Section on the Production Process 167

9. Introductory Remarks (On the actuality of the law of value in the capitalist economy) 167

10. The Law of Appropriation in a Simple Commodity Economy 175

11. The Transition to Capital ('The development of capital out of money') 183

12. Exchange between Capital and Labour-Power 194

13. Labour Process and Valorisation Process 203

14. Creation of Value and Preservation of Value in the Production Process ('Variable' and 'constant' capital) 212

15. The General Concept and the Two Basic Forms of Surplus-Value 220

16. Relative Surplus-Value and Productive Force (On the increasing difficulty in valorising capital with the development of the capitalist mode of production) 230

17. The Methods of production of Relative Surplus-Value (Co-operation, manufacture and machinery) 235

18. 'Simultaneous Working Days'. The Capitalist Law of Population and the 'Industrial Reserve Army' (Marx's critique of Malthus) 245

19. The Reproduction Process and the Inversion of the Law of Appropriation 256

20. Primitive Accumulation and the Accumulation of Capitals 268

Appendix. A Critical Assessment of Marx's Theory of Wages 282
1. Marx's theory of wages 282
2. Marx on the movement of wages 286
A. The general conditions for increases in wages 286
B. The economic cycle and the movement of wages 291
3. Marx's doctrine of relative wages 293
4. The industrial reserve army as regulator of wages 296
5. The so-called 'theory of immiseration' 300
6. The kernel of truth in the 'theory of immiseration' 307
7. Concluding remark 312

PART FOUR. The Section on the Circulation Process 315
Introductory Remark 315

21. The Transition from the Production Process of Capital to the Circulation Process of Capital. Excursus on the Realisation Problem and the First Scheme of Reproduction 317

22. Circulation Time and Its Influence on the Determination of Value 334

23. The Turnover of Capital and Turnover Time. The Continuity of Capitalist Production and the Division of Capital into Portions 345

24. The Characteristic Forms of Fixed and Circulating (Fluid) Capital 351

PART FIVE. Capital as Fructiferous. Profit and Interest 367

25. The Transformation of Surplus-Value into Profit. The General Rate of Profit 367

26. The Law of the Falling Rate of Profit and the Tendency of Capitalism Towards Breakdown 376

27. Fragments on Interest and Credit 383
1. The extent to which the original outline envisaged the treatment of these themes 383
2. The *Rough Draft* on interest-bearing capital 386
3. The category of 'capital as money' 389
4. Critique of Proudhonism 391
5. The *Rough Draft* on the role of credit in the capitalist economy 392
6. The barriers of the credit system 395

Appendix. On Recent Criticisms of Marx's Law of the Falling Rate of Profit 398

PART SIX. Conclusion 413

28. The Historical Limits of the Law of Value. Marx on the Subject of Socialist Society 413
1. Marx on the development of human individuality under capitalism 413

2. The role of machinery as the material precondition of socialist society 425
3. The withering away of the law of value under socialism 428

29. The Reification of the Economic Categories and the 'True Conception of the Process of Social Production' 437

PART SEVEN. Critical Excursus 445

30. The Dispute Surrounding Marx's Schemes of Reproduction 445
I. Introduction 445
1. A note on the formal aspect of the schemes of reproduction in Volume II 445
2. The 'approximation to reality' of Marx's schemes of reproduction 450
3. The basic presupposition of Marx's schemes of reproduction 454
4. The schemes of reproduction and the realisation problem 457
II. The discussion between the 'Narodniks' and the 'Legal' Marxists in Russia 460
1. Engels's debate with Danielson 460
2. Bulgakov's and Tugan-Baranovsky's interpretation of Marx's analysis of extended reproduction 464
III. Lenin's theory of realisation 472
IV. Hilferding's interpretation of Marx's schemes of reproduction 483
V. Rosa Luxemburg's critique of Marx's theory of accumulation 490
1. The historical and methodological background 490
2. The schemes of reproduction and technical progress 494
3. The neo-Harmonist applications of the schemes 497

31. The Problem of Skilled Labour 506
I. Böhm-Bawerk's critique 506
II. Marx's probable solution 505

32. A Note on the Question of 'False Rationalisation' 521

33. Joan Robinson's Critique of Marx 530
I. Marx's theory of value 530

1. Marx as a 'value fetishist' 530
2. Marx's 'rigmarole' 538
3. Marx's search for a social elixir. The problem of value in a socialist society 541
II. Marx's theory of the essence of capitalist exploitation and his concept of capital 544
III. Concluding remarks 549

34. Neo-Marxist Economics 552
I. A seemingly dogmatic controversy 552
II. On the method of Marx's economics 561
III. Concluding remark 570

Bibliography 573
Index 579

Author's Preface

In 1948, when I first had the good fortune to see one of the then very rare copies of Marx's *Rough Draft*,[1] it was clear from the outset that this was a work which was of fundamental importance for marxist theory. However, its unusual form and to some extent obscure manner of expression made it far from suitable for reaching a wide circle of readers. I therefore decided, first, to provide a 'commentary' on the work and, second, to make a scientific evalution of some of the new findings which it contained. The first exercise (mainly covered by Parts II-VI) necessitated an exposition of the *Rough Draft*'s most important arguments, as far as possible in Marx's own words. The second required detailed discussions of particular aspects, which are to be found in the first, introductory, and seventh, concluding, parts of this work.

Completion of the work presented a number of difficulties. Inhabiting a city whose libraries contained only very few German, Russian or French socialist works (let alone such indispensable periodicals as Kautsky's *Neue Zeit*) I was restricted to the few books in my own possession, and often doubted the practicability of the venture. But this was not the only problem. The more the work advanced, the clearer it became that I would only be able to touch upon the most important and theoretically interesting problem presented by the *Rough Draft* – that of the relation of Marx's work to Hegel, in particular to the *Logic* – and would not be able to deal with it in any greater depth.

Of all the problems in Marx's economic theory the most neglected has been that of his method, both in general and, specifically, in

[1] The *Rough Draft* was printed in Berlin in 1953, by the Dietz Verlag, under the title *Grundrisse der Kritik der politischen Ökonomie (Rohentwurf), 1857-1858*. Until that time there were only three or four copies of the original Moscow edition in the West. [The *Grundrisse* has been published in an English edition, translated with an Introduction by Martin Nicolaus, Harmondsworth: Penguin 1973.]

its relation to Hegel. Recent works contain for the most part platitudes which, to echo Marx's own words, betray the authors' own 'crude obsession with the material' and total indifference to Marx's method.

What would one make of a psychologist who was interested only in Freud's results, but rejected the question of the *manner* in which Freud obtained those results as being irrelevant or even 'metaphysical'? One could only shrug one's shoulders. But this is precisely how most present-day critics of, and 'experts' on, Marx judge his economic system. Either they totally refuse to discuss his dialectical method because they are opposed to 'metaphysics' (such as the adherents of 'modern theory') – this has the advantage of avoiding a real study of this method – or the critique is restricted to a few platitudes, better left unsaid. This even applies to such a prominent critic as Joseph Schumpeter.

Schumpeter writes in one of his last works that, although the author of *Capital* was a neo-Hegelian, it would be a 'mistake and an injustice to Marx's scientific powers . . . to make this element the master key to the system'. Of course, 'Marx retained his early love during the whole of his lifetime. He enjoyed certain formal analogies which may be found between his and Hegel's argument. He liked to testify to his Hegelianism and to use Hegelian terminology. But this is all. Nowhere did he betray positive science to metaphysics.'[2]

What Schumpeter says here is, of course, nothing new. As early as 1922 Lukacs already complained about the bad habit of 'regarding the dialectic as a superficial stylistic ornament . . . Even otherwise conscientious scholars like Professor Vorländer, for example, believed that they could prove that Marx had "flirted" with Hegelian concepts "in only two places" and then again in a "third" place. Yet they failed to notice that a whole series of *categories of central importance and in constant use* stem *directly* from Hegel's *Logic*. We need only recall the Hegelian origin and the substantive and methodological importance of what is for Marx as fundamental a distinction as the one between *immediacy* and *mediation*. If this could go *unnoticed* then it must be just as true even today that Hegel is still treated as a "dead dog", and this despite the fact that he has once again become *persona grata* and even fashionable in the universities. What would Professor Vorländer say if a historian of philosophy contrived *not to notice* in the works of a successor of Kant, however critical and original, that

[2] J.A.Schumpeter, *Capitalism, Socialism and Democracy*, London: Unwin 1966, pp. 9-10.

the "synthetic unity of apperception", to take but one instance, was derived from the *Critique of Pure Reason*.'[3]

It is clear that the four decades which have passed since the publication of Lukacs's pioneering study have brought no change. Admittedly, Schumpeter was not a professor of philosophy, as Vorländer was, and as an economic specialist was not, perhaps, obliged to read Lukacs's book (or, let us say, Lenin's *Philosophical Testament* which contains more or less the same). However he should not have simply passed over Marx himself. For example, the following well-known passage comes from Marx's own correspondence.

'I am getting some nice developments, e.g. I have overthrown the entire doctrine of profit as previously conceived. In the method of working it was of great service to me that by mere accident I leafed through Hegel's *Logic* again.'[4]

Does this really sound like mere 'formal analogies' or the simple use of Hegelian 'phraseology'? Shouldn't we rather conclude that even the most serious and professorial critics of Marx are guilty of a somewhat superficial approach?[5]

Marx's *Rough Draft* will put an end to this superficiality. If Hegel's influence on Marx's *Capital* can be seen explicitly only in a few footnotes, the *Rough Draft* must be designated as a massive reference to Hegel, in particular to his *Logic* – irrespective of how radically and materialistically Hegel was inverted! The publication of the *Grundrisse* means that academic critics of Marx will no longer be able to write without first having studied his method and its relation to Hegel. And whilst the *Rough Draft* does present a formidable task for both the opponents and supporters of marxism, its publication will

[3] G.Lukacs, *History and Class Consciousness*, London: Merlin 1971, xliv. What Lukacs says also applies to marxist theory in the period of the Second International. For example, O.Bauer answers the question 'What connects the mature Marx with Hegel?' in 1911 in the following way. It is 'the epistemological reflection on the essence of science, which is not a mere reflection of events, but rather "a product of the thinking head which appropriates the world in the only way it can" [a quote from Marx's Introduction to the *Grundrisse*], that is a piece of Kant, implanted in Hegel – developed by Marx, without Kant's knowledge, in Hegel's language, but free from the ontological re-interpretation of Kant by Hegel.' (*Der Kampf* VI, pp.189-190).

[4] *Marx-Engels Werke (MEW)* Vol.29, p.260.

[5] This fact was perfectly clear to Marx's philosophically educated contemporaries. Thus, Lassalle compared Marx's *A Contribution to the Critique of Political Economy* with Hegel's *Phenomenology* and praised Marx as a 'Ricardo become socialist, and a Hegel become economist'. However, Engels regarded the 'German dialectical method', which underlay Marx's economic system, 'as a result which was of less significance than the materialist interpretation'.

in the final analysis raise the general level of economic writing on Marx.[6]

In conclusion, a few words about the author. I am, by profession, neither an economist nor a philosopher. I would not have dared to write a commentary on the *Rough Draft* if a school of marxist theoreticians still existed today – as it did in the first thirty years of this century – which would have been better equipped to carry out this task. However, the last generation of notable marxist theoreticians for the most part fell victim to Hitler's and Stalin's terror, which interrupted the further development of the body of marxist ideas for several decades. Given these circumstances I feel obliged to offer this work to the reading public – as defective and incomplete as it might be – in the hope that a new generation will follow for whom, once more, Marx's theory will be a living source both of knowledge and the political practice which this knowledge directs.

March 1967

[6] Unfortunately the author was far too optimistic in this respect (this Foreword was completed in 1955) . . . For, although Marx's *Grundrisse* has been in print for fourteen years it has passed almost unnoticed. The single, pleasing, exception is the work devoted to the *Grundrisse* by the Japanese scholar Kojiro Takagi. We should also cite *Der Begriff der Natur in der Lehre von Marx*, by Alfred Schmidt 1962. [An English translation by Ben Fowkes was published under the title *The Concept of Nature in Marx*, London: New Left Books 1971.] This work attaches great importance to the *Grundrisse* as a means of understanding the 'mature Marx'.

Translator's Note

The Making of Marx's 'Capital' was not an easy work to translate. Not only was the translator confronted with the usual problems of giving a correct rendering of German philosophical and economic terms into English, but also with Rosdolsky's own somewhat inaccessible style. In general, a uniform translation of key concepts is provided, with some notable exceptions. The word *aufheben* for example, is rendered as suspend, transcend, annul and abolish – depending on the needs of the overall context. This seemed a superior method to that of offering one rigid 'correct' translation, which, as can be seen in the current English edition of the *Grundrisse*, gives rise to some awkward and obscure meanings. The same applies to the concept *Bestimmung*, which is normally translated as 'character' or 'determination', except in the chapter on money, where it is given as 'function'.

Where possible references have been given to an English edition, although in some cases the translation may not accord one hundred per cent with the English reference cited: this applies in the case of *Capital* Volumes II and III, and the *Grundrisse*, where certain concepts have been retranslated, or originally awkward or archaic formulations eliminated. For example, the German *Verwertung* has been generally changed from the original 'self-expansion of value' (*Capital* Vols. II and III) and 'realisation' (*Grundrisse*) to 'valorisation'. Because of the superiority of the recently published Penguin edition of *Capital* Volume I, translated by Ben Fowkes, references for Volume I of *Capital* are given to this edition. For those readers who still use the Lawrence and Wishart edition references are given in brackets after the Penguin reference. Thus, *Capital* I p.781 (629). In addition a number of references to the MEGA were translated independently, before the appearance of any of the volumes of the Marx-Engels *Collected Works*. Page references to the latter were added later. Certain abbreviations are also employed, derived in part from Rosdolsky's own. For example, *Theories of Surplus-Value* is shortened to *Theories*, *Contribution to*

the Critique of Political Economy to *Contribution* etc. Such abbreviations are clarified in the relevant first reference or footnote to the works in question, and on the following page.

The English *Grundrisse* is not a complete translation of the entire contents of the Dietz Verlag *Grundrisse* : one notable text, the *Urtext: 'Zur Kritik'*, the original draft of the *Contribution to the Critique of Political Economy*, is left, as yet untranslated: references to this text are therefore references to the original German version, contained in the Dietz Verlag edition. This is made clear at the appropriate points.

Italicisation in the text follows Rosdolsky's emphasis, not any italicisation which may be present in the original works cited.

I would like to thank Ben Fowkes for his help in checking the translation and elucidating a number of textual and conceptual points. And to PT for much support during a long job.

Pete Burgess

Abbreviations

Contribution	*A Contribution to the Critique of Political Economy*
Grundrisse	Nicolaus translation of the *Grundrisse*
Grundrisse, German edn.	1953 Dietz edition of the *Grundrisse*
MEW	Marx-Engels *Werke*
Rough Draft	Nicolaus translation of the *Grundrisse*
Selected Correspondence	Moscow 1975 edition unless otherwise indicated
Theories	*Theories of Surplus-Value*

Acknowledgements

Material quoted from Karl Marx, *Capital*, Volume I, translated by Ben Fowkes, Harmondsworth, Penguin 1976, pp.40, 76, 89-90, 103, 127-9, 132-3, 135, 138, 143, 149-50, 152-4, 162, 164-7, 170-5, 181-3, 187-8, 190-2, 196-200, 208-9, 227-9, 230, 232-3, 240, 242-3, 268-9, 271, 274-5, 280, 289-90, 296, 300, 305, 308-9, 312, 316-7, 329, 344-5, 365, 419-22, 425, 432-3, 437, 439, 445, 451, 453, 468, 515, 548-9, 578, 618, 655, 659, 661, 664, 667, 705, 712-4, 719, 724, 728-30, 732-4, 753, 763, 768-72, 781-2, 785, 788-90, 793, 798-9, 869, 911. Copyright © Ben Fowkes 1976.

And from Karl Marx, *Grundrisse*, translated by Martin Nicolaus, Harmondsworth, Penguin 1973, pp.85, 87, 95-6, 101-7, 122-3, 126, 134-49, 151, 153-69, 172-4, 188-91, 194-5, 197-204, 206-13, 218, 221-6, 228, 231-5, 238-49, 251-2, 254-9, 263-5, 267, 270-2, 274-9, 282-9, 293-308, 310-1, 313-9, 322, 324-7, 331, 334-41, 346, 354-64, 367, 375-6, 385-6, 389, 395, 399-411, 413-6, 420-3, 426, 435-6, 439-44, 446-7, 449-66, 469-70, 486-9, 497-8, 503, 505-17, 519, 523-4, 529, 533-49, 551-2, 554, 556, 558, 567-8, 585-90, 595, 599, 603, 605-8, 611, 620-30, 632-5, 639-40, 645-7, 649-52, 659-61, 663, 666, 669-76, 679, 682, 684-5, 692-4, 699-703, 705-7, 709-12, 715, 718-21, 723, 732, 745-51, 753-4, 759-63, 767, 769, 774-7, 787, 791, 814, 817, 830-2, 839, 843-4, 846, 851-3, 871, 881. Copyright © Martin Nicolaus 1973.

Reprinted by permission of Penguin Books Ltd and Random House Inc.

PART ONE
Introduction

1.
The Origins of the Rough Draft

The manuscript which this book deals with has a long prehistory. As Marx pointed out in a letter to Lassalle,[1] it was the fruit of fifteen years of study, during the course of which he set about the problems of political economy from constantly renewed perspectives, and in doing so created the basis of his own system of political economy. We should therefore begin by clarifying the stages by which Marx's work grew to maturity.

Marx's wide-ranging critique of politics and political economy, which dates from the years between 1844 and 1846, was the first of these stages.[2] Unfortunately, only fragments of this work remain. They were published in the *Marx-Engels Gesamtausgabe* as the *Economic and Philosophical Manuscripts*.[3] Marx appears here primarily as a philosopher, seeking to apply his recently acquired 'humanist' – or more correctly 'materialist' – interpretation of history in the crucially important field of 'social economy'. He therefore often simply takes over the traditional economic categories in order to demonstrate

[1] *Selected Correspondence*, Moscow: Progress Publishers 1975, pp.96-97.

[2] See *K.Marx, Chronik seines Lebens*, henceforth referred to as *Chronik*, pp.22-23, 25-26, 30, 32, 35, 37 and also *MEW* Vol.27, pp.16, 23, 25, 78, 79.

[3] London: Lawrence and Wishart 1970. First published in the *Marx-Engels Gesamtausgabe (MEGA) Abteilung* I Vol.3, Berlin 1932.

the 'reified' nature, alien to humanity, of both the prevailing social order, and the science of economics which reflects its development. In fact, from a properly economic standpoint, despite the genius of this work, it remains a mere sketch, a general framework which was to be filled out by the unremitting research work of the next two decades.[4]

The next stage may be regarded as the period of Marx's pamphlet against Proudhon (*The Poverty of Philosophy*), together with the *Communist Manifesto*, which he wrote with Engels, and the lectures published as *Wage-Labour and Capital*. Here Marx already reveals himself to be a completely independent economic thinker, fully conscious both of his close relation to the classical school, and his deep opposition to it. Admittedly, in some particular areas he had not yet made a final reckoning with some of Ricardo's ideas, which he later recognised as incorrect or one-sided; for example, in the theory of money, and the theory of ground-rent.[5] He had also not yet worked out his own theory of profit. However, by 1848, 'his theory of surplus-value, the cornerstone of his economic system, was established in its fundamentals',[6] and it only remained to work out the details of the theory, a process which we can study in detail in the *Rough Draft*.

Marx's economic studies were interrupted by the revolution of 1848-49. He did not take them up again until his exile in London in the summer of 1850, and then for what were, in the main, political motives. He felt it necessary to investigate to what extent both the outbreak and the defeat of the revolution had been determined by economic factors, in keeping with the materialist conception of history which he had discovered earlier. With this aim in mind Marx studied the concrete economic history of the years 1848-50,[7] using mainly the London *Economist*, and concluded that, 'just as the world trade crisis of 1847 was the real mother of the February and March revolution, so too the animating force in the newly strengthened European reaction was the industrial prosperity which gradually set in again in the middle of 1848, and came to full bloom in 1849 and 1850.' However, as early as September 1850, in response to the urgings of his 'Party

[4] The *Manuscripts* have had many enthusiastic commentators. We share this enthusiasm too, although we cannot help feeling that much of what seems to be surprising in them could also have been found in *Capital*, if it had been read correctly. That this remained unnoticed must be attributed to the traditional purely 'economistic' interpretation of Marx's principal work.

[5] Cf. *The Poverty of Philosophy*, New York: International Publishers 1963, pp.87-88, p.154ff.

[6] *Grundrisse*, German edition, VII, (Editor's Preface).

[7] *Chronik*, p.92.

comrades'[8] Marx restarted work on his 'Economics'. This initially consisted in the making of numerous excerpts from works on political economy, which he now read in English, rather than French.[9] (It is also possible that Marx's 'pedagogic' activity, the lectures on political economy which he gave at home for his close friends,[10] may have given him the incentive to take up his theoretical studies again.) At any rate, his work proceeded so well that by May or June of 1851 he already thought that he could start writing out the work itself.[11]

Unfortunately we cannot say whether he succeeded in producing a manuscript, as nothing of this nature was found in Marx's literary estate, according to Ryazanov's testimony.[12] All that we know is that Marx negotiated with several publishers without success, and that he sent an outline of the work (now lost) to the journalist H. Ebner, a friend of Freiligrath, with this in mind.[13] This does not prove that Marx actually began the final drafting of the manuscript; it is more likely that he 'confined himself to completing an outline and preparing the material, so that he could get to grips with the drafting of the work after signing the contract'.[14] However, this view is contradicted by certain references to be found in the Marx-Engels correspondence of that period. For example, on 14 August 1851 Marx tried to get his friend to help out with articles for the *New York Tribune* because 'he had his hands full with the "Economics" '.[15] This point appears even more clearly in a letter of 13 October of the same year.

[8] Letter of the Cologne League of Communists, 14 September 1850.

[9] Marx took excerpts from no less than 52 economists between September 1850 and October 1851. Cf. *Grundrisse*, German edn. p.766.

[10] *Chronik*, pp.80, 84, 90. (Cf. Liebknecht's *Erinnerungen an Marx* in *Ausgewählte Schriften*, Vol.I, 1934, pp.109-10.) It can be assumed that these lectures were a continuation of those which were held in Brussels on 'Wage-Labour and Capital'. The short summary in the first issue of the *Neue Rheinische Zeitung Revue* (Jan.-Feb. 1850), would support this ('What is bourgeois property? I. Capital. II. Landed property').

[11] Cf. Marx to Engels, 2 April 1851. 'I am so far advanced that I shall be finished with the whole of the economic shit in five weeks. And when that's done I'll draft the economics at home and throw myself into another science in the Museum. It's beginning to bore me. At bottom this science has made no progress since A.Smith and D.Ricardo, however much may have happened in investigations into particular topics, which are often of extreme intricacy.' (*MEW* Vol.27, p.218.)

[12] Ryazanov, *'Siebzig Jahre "Zur Kritik der politischen Ökonomie" '*, *Grünbergs Archiv*, Band 15, 1930, pp.5, 8-9.

[13] *ibid.* pp.4-5. (As we know from the files of the Haus-, Hof- und Staatsarchiv in Vienna, Ebner was, at that time, an agent of the Austrian government.)

[14] *ibid.* p.8.

[15] *MEW* Vol.27, p.314.

There Marx writes to Engels: 'By the way, you must let me know what your views on Proudhon are. They interest me all the more now, as I'm occupied with the composition of the "Economics" '.[16] Accordingly, Engels advised Marx to inform Löwenthal, the Frankfurt publisher who had objected to Marx's way of arranging the work, that 'it would be impossible to throw aside your entire plan; that you've already begun to draft the *Kritik*,[17] etc.'[18] Finally Marx wrote to Engels, on 13 February 1855, immediately after the collapse of all the publication plans, saying 'I've contracted an eye-complaint as a result of reading through my own note-books on economics, if not to draft the thing, at least to master the material and have it ready for working through.'[19] From all this one could conclude that a final preparation of a draft of the planned 'Economics' was at least begun. What actually happened to this manuscript, however, and why it failed to survive are questions which will probably never be answered.

As far as the content and construction of the proposed work are concerned, we are thrown back on the meagre information in Engels's letter of 27 February, which we have already cited, and the preceding letter from Marx of 24 November 1851. Both letters show that Marx abandoned his earlier intention to include a Critique of Politics in the work,[20] as he wanted to confine himself more to a 'final settling of accounts' with previous political economy and the systems constructed by the socialists. Accordingly, the entire work was planned to consist of three volumes. The first was to have contained the critique of traditional economic categories,[21] the second, the critique of the socialists, and the third the history of economics itself.[22] Had Marx begun the work with the section on the history of economic doctrines, as Löwenthal wanted, he would have had to 'throw aside' this very plan.[23] Naturally, Marx could not approve such a change in the outline; on the other hand his financial situation was so desperate that he

[16] *ibid.* p.359.

[17] See next paragraph.

[18] *MEW* Vol.27, p.373.

[19] *MEW* Vol.28, p.434.

[20] See the beginning of this chapter. This already constitutes a modification of Marx's earliest outlines which, besides political economy and politics, also included a critique of law, morals and above all, philosophy (see Marx's own Preface to the *Economic and Philosophical Manuscripts*).

[21] The 'Critique of Economics' should be understood here as Marx outlined it to Lassalle eight years later: 'It is a presentation of the system and simultaneously through this presentation of it, a criticism of it.' (*Selected Correspondence*, p.96.)

[22] Cf. *Chronik*, p.114.

[23] Ryazanov's misleading remarks should be corrected in this light.

could not break off negotiations for this reason alone. Engels therefore advised him to agree to Löwenthal's suggestion, if it became absolutely necessary, with the proviso that Löwenthal would have to commit himself to two volumes of the history of economic doctrines, instead of one, since in such a situation numerous 'anticipations of the criticism' would be inevitable. 'After this would come the socialists as the third volume and, as the fourth – (the *Critique*), that is what would remain from the whole – the renowned "positive", what you "really" want. The matter does have its problems in this form, but it has the advantage that the much sought after secret is not revealed until the end, only after the curiosity of the citizen has been pent up for three volumes, thus revealing to him that one is not dealing in patent medicines.' In addition, 'it would be best', in the then prevailing political situation, 'to begin with the most harmless section – the History'.[24]

Some light is thrown on the studies which Marx pursued in 1850-51, and the progress he had made as an economist since 1847, by letters in which he and Engels discuss questions of political economy – above all, the extremely interesting exchange of opinions in January 1851 on Ricardo's theory of rent.[25] Here Marx already presents his basic objections to Ricardo's explanation of rent, which we later encounter in the *Theories of Surplus-Value* and in Volume III of *Capital*. Engels found these objections so devastating that he jokingly replied, 'There is no doubt that your solution is the right one, and that you have acquired a new claim to the title of the economist of ground-rent. If there were any right and justice left in the world the earth's total ground-rent should now be yours for at least a year, and even that would be the least to which you are entitled.' He added, 'If an article by you on ground-rent could be published in a translation in an English review it would attract enormous attention . . . This is one more reason why you should hasten to complete and publish the "Economics".'[26]

Of equal importance in this context is Marx's letter on 3 February 1851, in which he communicates his critique of 'Currency theory' to Engels, and where we can see how he also differs from Ricardo on the theory of money.[27]

Of particular interest is the detailed discussion in the correspondence over Proudhon's book (*The General Idea of the Revolution*

[24] *MEW* Vol.27, p.373.
[25] *Selected Correspondence* ed. Dona Torr, London: Martin Lawrence 1934, pp.27, 132.
[26] *ibid.* p.32.
[27] *MEW* Vol.27, pp.173-77 and (Engels's reply) 200-201.

in the Nineteenth Century), published in 1851, as Marx produced a large pamphlet on it, which he offered to several publishers, again without success.[28] Like several of his early works, the manuscript of this pamphlet has been lost. We know only that this text was, for some time, in the hands of a close acquaintance of Marx, Wilhelm Pieper, who promised to offer it to German publishers during his tour there in 1851,[29] and further, that Marx wanted to publish the same text in the form of a series of articles under the title *Newest Revelations of Socialism or the General Idea of Revolution in the Nineteenth Century by P.J. Proudhon. A Critique by Karl Marx*, in *Revolution*, published by Weydemeyer in New York.[30] However, a previously unpublished manuscript was found among Marx's papers, which is mentioned in the editorial comments to the *Grundrisse*,[31] and bears the title *The Completed Money System (Das vollendete Geldsystem)*. This may well be a fragment of the pamphlet against Proudhon. However, whether this is so or not, the detailed discussion in the *Correspondence*[32] is certainly a substitute for the lost pamphlet. In addition, we see from the *Chronik* that Marx submitted a treatise, *Modern Literature on Political Economy in England from 1830 to 1852*, to the publisher Brockhaus in August 1852, in which he proposed to discuss the following subjects,[33] 1) 'the general works' and 2) the 'special writings' on 'population, colonies, the bank question, protective tariffs and freedom of trade etc.' Since Brockhaus turned it down it almost certainly remained as a mere outline.

From the summer of 1852 until the autumn of 1856 Marx's work on the *Critique of Political Economy* was interrupted by his professional work as a journalist. This did not of course mean that the research which he engaged in for this purpose had no significance for his work in political economy. On the contrary; Marx had to make himself familiar with practical details, since many of his reports dealt with 'noteworthy economic events in England and on the Continent'. Although these lay 'strictly speaking outside the sphere of political economy',[34] they did prove useful to him later. We need only refer to his numerous articles on economic conditions, on questions of trade policy, on the English working-class movement and

[28] *Chronik*, pp.110-11 and *MEW* Vol.28, pp.312, 358-59.
[29] *MEW* Vol.28, pp.369, 383.
[30] *Chronik*, p.116.
[31] *Grundrisse*, German edn. p.987.
[32] *MEW* Vol.28, pp.296-304, 306, 308-11, 312-15, 317-18.
[33] *Chronik*, p.126.
[34] *A Contribution to the Critique of Political Economy*, London: Lawrence & Wishart 1971, p.23, (Hereafter referred to as *Contribution*.)

strikes. Moreover, his reporting on Irish and Scottish agrarian conditions, and on English policy in India, proved to be extremely useful in this respect, as they provided the stimulus for a very thorough study of the 'Asiatic forms of production' and the remnants of agrarian communism in Europe and Asia. As a consequence, the sections on economic history in his work on political economy underwent a significant deepening and enrichment.[35]

So much, then, on the actual prehistory of the *Rough Draft* of 1857-58. How the *Rough Draft* itself arose, and how the first part of it came to be published, after a thorough re-working, under the title *A Contribution to the Critique of Political Economy* at the beginning of 1859, is dealt with in such detail in the article by Ryazanov and in the Editor's Foreword to the *Grundrisse*[36] that we shall confine ourselves to the most essential points here.

Characteristically, it was the outbreak of the economic crisis of 1857 which was responsible both for the immediate decision to write the *Rough Draft*, and the feverish hurry with which this was done. (The entire work, almost 50 proof-sheets, was completed in nine months, between July 1857 and March 1858.)[37] The economic crisis filled the 'Two-man Party' – as Engels's biographer, Mayer, named the two friends – with high hopes,[38] and it was therefore only natural that Marx wanted to commit at least the fundamentals of his economic theory to paper 'before the deluge',[39] that is, before the beginning of the expected European revolution. Of course, his revolutionary prognosis was based on an illusion; but such illusions have often

[35] It would certainly be rewarding to make a closer comparison of the topics in economic history which Marx dealt with on the one hand in the *New York Tribune*, and on the other in *Capital*.

[36] *Grundrisse*, German edn. pp.VII-XIV.

[37] See the editorial notes on pp.VII-VIII, 4, 150 and 842 of the German edition of the *Grundrisse*. The inaccurate information on pp.162-78 of the *Chronik* should be corrected in this light.

[38] It suffices here to cite a few characteristic passages from the Marx-Engels correspondence. 'Despite being deep in financial distress myself,' wrote Marx, 'I haven't felt so cosy since 1849, owing to this outbreak.' And Engels replied on 15 November 1857. 'The general aspect of the Stock Market' (which Engels visited through his work) 'has been highly amusing in the last few weeks. The fellows are absolutely furious over my attack of peculiarly good spirits. Indeed the stock exchange is the only place where my present dullness turns into elasticity and bouncing. Naturally, I prophesy the worst at the same time; that makes the asses twice as enraged.' (*MEW* Vol.29, pp. 207, 210.)

[39] *ibid.* p.225: 'I'm working like a madman right through the night, gathering my economic studies together so that I'll at least have the outlines (*Grundrisse*)' – hence the title given to the *Rough Draft* – 'clear before the deluge'.

proved themselves to be fruitful! So too in this case. Marx wrote to Engels on 18 December 1857, 'I'm working colossally – usually until 4 a.m. My task is twofold; 1) to work out the fundamentals of the economics . . . 2) the *present crisis*. On that, apart from the articles in the *Tribune* I'm simply keeping a record, which, however, takes up a lot of time. I think that we'll do a pamphlet together in the spring on history, by way of reintroducing ourselves to the German public – to say that we're still there and haven't changed, "always the same". I've sketched out three big books – England, Germany, France . . . all the material on America is in the *Tribune*. It can be put together later.'[40] This project too remained a mere outline, if we disregard the detailed notes for the chapter on France (in Marx's letter to Engels of 25 December 1857)[41] and the numerous articles devoted to the financial and commercial crises published in the *New York Tribune*.[42] The extent to which Marx's intensive concern with the symptoms of the 1857-58 crisis had sharpened his theoretical gaze can be seen from the brilliant excursus in the *Rough Draft* on the realisation problem and on crisis.[43] To this extent we are richly compensated for the fact that the intended pamphlet never appeared.

Just as apparent as his hope for a 'year if disruption in 1858',[44] is the other motive which impelled Marx to work on the *Rough Draft*; namely, his desire to deal with the 'false brothers' of the socialist workers' movement, the Proudhonists. It was certainly no accident that the *Rough Draft* began with a devastating polemic against the Proudhonist, Darimon, and the so-called Labour-Money system, and that also the refutation of Proudhonism occupies considerable space in the remainder of the text. As we know from his correspondence, Marx himself regarded this as one of the most crucial scientific results of the first part of his work (i.e. the book entitled *A Contribution to the Critique of Political Economy*.)[45] As the specifically Proudhonist variety of socialism is of very little importance today Marx appears

[40] *ibid.* p.232.

[41] *ibid.* pp.236-40.

[42] See *Chronik*, pp.164-65.

[43] See Chapter 21 of this work.

[44] *MEW* Vol.29, p.245.

[45] Thus he wrote to Weydemeyer on 1 February 1859: 'These two Chapters will also destroy the foundation of the Proudhonist socialism, now fashionable in France, which wants to leave private property in existence but to organise the exchange of private products; which wants commodities but not money. Communism must first of all get rid of this "false brother"'. (*Selected Correspondence*, p.106.) And similarly in Marx's letter, 22 July 1859, to Engels: 'In case you write anything about it [i.e. about the *Contribution*], 'you must not forget, 1) that Proudhonism is destroyed in it, at the roots, and

to have placed a 'disproportionate' emphasis on this particular aspect.

In our opinion the theoretical destruction of Proudhonism fades far into the background in the face of the second result stressed by Marx; namely, that his analysis of the commodity and of money exposed 'the specifically social and in no way absolute character of bourgeois production'. However, we should not overlook the fact that, in this case too, theory was fertilised by practice, and that the confrontation with Proudhonism contributed very substantially to the development of Marx's theory of money. But this is a perspective which we shall have to reserve for the section devoted to this theory.

2) that the specifically social and by no means absolute character of bourgeois production is analysed there as already present in the very simplest form, that of the commodity.' (*MEW* Vol.29, p.463.)

2.
The Structure of Marx's Work

1. THE ORIGINAL OUTLINE AND ITS CHANGES

It is known that Marx had two outlines which he wanted to use as the basis for his principal work; the first dates from 1857, and the second from 1866 (or 1865).[1] Between the two lay a a nine-year period of experimentation and continual searching for a form of presentation which would be adequate to the material. At the same time a progressive narrowing down of the original outline occurred, which corresponded, however, with an expansion of the part which remained.

In the 1857 outline the complete work was divided into six 'Books' (called also 'Sections'[2] and 'Chapters'.[3]) The first of these was to have dealt with capital, the second with landed property, the third with wage-labour, the fourth with the state, the fifth with foreign trade and the sixth with the world market and crises. Marx wanted to preface the whole work with an 'Introduction', in which the 'universal, abstract characteristics, which obtain in more or less all societies' would be discussed.[4] However, by the turn of 1858 he had already decided to dispense with this Introduction as it seemed to him that 'any anticipation of yet-to-be proved results would be a distraction'.[5]

[1] We move the date of the production of the second outline to 1865 because the structure of the work in Marx's letter to Engels of 31 July 1865 corresponds exactly to the structure in his letter to Kugelmann of 13 October 1866.

[2] See *Grundrisse* pp.287-88 ('section on wages'), p.530 ('section on international intercourse') and p.227, where all six divisions of the work are referred to as 'sections'.

[3] 'Chapter on Capital' (*Contribution*, p.19); 'Chapter on Wage-Labour' *Grundrisse*, p.399, 817 (latter in the German edition); *MEW* Vol.29, p.337. 'Chapter on Wages', *Grundrisse*, p.336; *Theories* I, p.404 and *Theories* III p.312.

[4] See the 'torso' of this Introduction in *Grundrisse*, pp.81-111. It should be noted here that in the text of the *Rough Draft* itself several references can be found to the quoted Introduction and the themes dealt with there. *ibid.* pp.298, 320, 362.

[5] *Contribution*, p.19. In fact such an Introduction is mentioned again in Marx's proposal of 1863.

According to the original outline the last three of the six books of the work (on the state, foreign trade and the world market) were only to have been sketched out, confined – as Marx said – to 'the broad outlines'.[6] Nevertheless, one of these books is the subject of a letter to Kugelmann, written on 28 December 1862, proof that at that time they had not yet been finally excluded from the plan of the complete work.[7] However, this must have taken place soon afterwards, as Marx's 1864-65 manuscript (which Engels used as the basis for Volume III of *Capital*) makes no mention of these books and merely allots them – or at least one of them, on the world market – to an 'eventual continuation' of the work.[8] And so one restriction of the original plan had already been decided by then.

The second restriction concerns Books II and III, which were to have dealt with landed property and wage-labour. It is impossible to say precisely when Marx finally dispensed with these books. Even Marx's proposals for the first and third sections of the book on capital, which date from January 1863 and were published by Kautsky, provide no conclusive answer. However, the basic themes of the books on landed property and wage-labour were incorporated in the manuscripts of Volumes I and III of the final work, which took shape between 1864 and 1866. In this way the six books which were originally planned were reduced to one – the *Book on Capital.*

Let us now turn to the expansion of the book which remained. It is clear that a great deal of material from the deleted books, especially II and III, must have been transferred to the first, insofar as they contained 'the basic and properly economic, development'.[9] But not only that. According to the original outline the book on capital was also divided into four sections, which were supposed to deal with, a) 'capital in general', b) competition, c) credit and finally d) share-capital. Accordingly, the first two versions of the work, that is, the *Rough Draft* and the second manuscript of 1861-63, were also confined in essence to the analysis of 'capital in general'.[10] In writing

[6] Marx to Lassalle, 11 March 1858 (*MEW* Vol.29, p.554).

[7] Marx says in this letter on the subject of his second large manuscript, which he was working on at that time, and which he had thought of publishing under the changed title, *Capital, a Contribution to the Critique of Political Economy*: 'It is the quintessence . . . and the development of the following (with the exception of the relation of the different forms of the state to the different economic structures of society) could be easily carried out by others on the basis of what has been provided.' (*MEW* Vol.30, p.639.)

[8] *Capital* III, p.110.

[9] See the letter to Lassalle of 11 March 1858.

[10] The extraordinary importance of this concept in Marx's methodology is shown later in Section IV/B. of this Chapter.

to Kugelmann on the subject of this second manuscript in a letter of 28 December 1862, Marx stated, 'It comprises in fact only what was supposed to have formed the third chapter of the first section,[11] namely "capital in general". Thus, competition between capitals, and the credit system are not included.' However, just one month later Marx drafted the proposal for 'Section Three', mentioned above, thereby breaking radically with his previous method of subdividing the book on capital. Consequently, in the course of the next two years he dropped his intention of presenting competition and share-capital separately, but the first section of the first book, dealing with 'capital in general' was progressively enlarged to take care of this. The essential part of the deleted sections b), c) and d) could now be introduced into the last of the three 'Books' (as envisaged in the new outline), which were to have dealt with (I) the production process of capital, (II) circulation process, and (III) the structure of the process of capitalist production as a whole.[12] With this, then, *Capital* acquired its final form.

II. WHEN, AND TO WHAT EXTENT, WAS THE FIRST OUTLINE ABANDONED?

We now want to illustrate what we have said about the development of the various versions of *Capital* (*Rough Draft*; *Theories*; *Capital*). The two outlines are cited here again for ease of reference.

The 1857 plan envisaged the following structure for the work:

I. THE BOOK ON CAPITAL
  a) *Capital in general*
    1. Production process of capital.
    2. Circulation process of capital.
    3. Profit and interest.
  b) *Section on Competition*
  c) *Section on the Credit System*
  d) *Section on Share-Capital*
II. THE BOOK ON LANDED PROPERTY
III. THE BOOK ON WAGE-LABOUR
IV. THE BOOK ON THE STATE
V. THE BOOK ON FOREIGN TRADE
VI. THE BOOK ON THE WORLD MARKET AND CRISES

[11] The first two chapters can be found in the *Contribution* under the titles 'Money' and 'Commodity'.

[12] *MEW* Vol.31, p.534.

On the other hand, the work was divided in the following way in the 1866 (1865) outline:

BOOK I PRODUCTION PROCESS OF CAPITAL
BOOK II CIRCULATION PROCESS OF CAPITAL
BOOK III FORMS OF THE PROCESS AS A WHOLE
BOOK IV THE HISTORY OF THEORY

Let us now examine the individual manuscripts for *Capital*. We shall begin with the *Rough Draft*. At first glance the structure of this work seems to coincide with that of *Capital*. The production process of capital is examined first,[13] the second section deals with the circulation process and the third concludes with the analysis of profit, the rate of profit and interest. However, this first glance is very deceptive since, in contrast to the later work, the *Rough Draft* is basically confined to the analysis of 'capital in general', and thus consciously disregards many problems which were not dealt with thoroughly until *Capital* itself. Thus, all (or nearly all) the subjects which Marx later developed in the first volume of *Capital* in Chapters 10, 1-7; 14, 1-5; 15, 3-10; 17-21; 24, 2-5; 25, 5, a-f; parts of 26 and 27, are absent from the section of the *Rough Draft* devoted to the production process. That is, not only the topics which were only hinted at in the *Rough Draft*, namely the division of labour, co-operation, primitive accumulation, and the theory of colonisation (aspects where *Capital* simply filled in the framework already sketched out in the *Rough Draft*); but also everything which relates to wages and their forms, to the working day, the exploitative practices of capital, and labour legislation; precisely those themes which, in our opinion, would have come under the scope of the specific *Book on Wage-Labour*. The difference between the section which follows in the *Rough Draft* and Volume II of *Capital* appears even greater, because the only material to be found there is that which corresponds approximately to Chapters 5 and 7-15 of the second volume. So, not only is the analysis of the circulation of money-capital, productive capital and commodity-capital missing here, but also any basic examination of the reproduction and circulation of aggregate social capital (Part III of Volume II). Nevertheless, the presentation in Volume II can be regarded as an elaboration of those lines of thought which had already been touched upon and which were present in embryonic form in the

[13] We disregard here the 'Chapter on Money', to which Part I of Volume I of *Capital* corresponds.

Rough Draft.[14] The presentation in Volume II does not essentially go beyond the framework which was originally assigned to the analysis of the circulation process. Things are very different, however, if we compare the abridged version of the last section of the *Rough Draft* with Volume III of *Capital*. This touches on the same problems as Sections I-III of the later work. However, they are only looked at, so to speak, on the margin in the *Rough Draft*; that is, as they appear from the standpoint of 'capital in general' with competition excluded. In other words, the *Rough Draft* should have been ended here if it were to remain faithful to the original outline. This explains why the last section is so short and why those topics which constitute the contents of Sections IV-V of Volume III of *Capital* were deliberately excluded; i.e. on the one hand merchant capital and the credit system, and on the other, ground-rent. For these were problems which, according to the 1857 outline, should first have been dealt with in later sections of the *Book on Capital*, and in the second book of the work which was to have dealt with landed property.

We can see, then, that the *Rough Draft* does not fundamentally go beyond points I, a) 1-3 of the plan set out on p. 12 – its structure corresponds exactly to Marx's original outline. However, how does the *Rough Draft* compare with the second *Capital* manuscript of 1861-63?

As very important parts of this manuscript are still unpublished[15] we have to turn, in the main, to the proposals for the first and third sections of the *Book on Capital* of 1863, which were published by Kautsky.[16]

The first section, 'production process of capital to be divided as follows:

'1. Introduction. Commodity. Money.
2. Transformation of money into capital.
3. Absolute surplus-value. a) labour process and valorisation-process. b) constant capital and variable capital. c) absolute surplus-value. d) struggle for the normal working day. e) simultaneous working days (number of workers employed at the same time). Amount of surplus-value and the rate of surplus-value (size and height ?)

[14] The first 'schemes of reproduction' were already set out in the *Rough Draft* for example. Cf. Chapter 21 below.

[15] As is known, Kautsky confined himself to the publication of that part of the manuscript dealing with 'Theories of Surplus-Value'. However, one can conclude from remarks by Engels and Kautsky that the remainder would fill a volume of over 1,000 pages.

[16] We cite both outlines from Part I of the *Theories*, pp.414-16.

4. Relative surplus-value, a) simple co-operation. b) division of labour. c) machinery etc.
5. Combination of absolute and relative surplus-value. Relations (proportion) between wage-labour and surplus-value. Formal and real subsumption of labour under capital. Productivity of capital. Productive and unproductive labour.
6. Re-conversion of surplus-value into capital. Primitive accumulation. Wakefield's theory of colonies.
7. Result of the production process (the change in the appearance of the law of appropriation can be described under either 6 or 7).
8. Theories of surplus-value.
9. Theories of productive and unproductive labour.'

And the second proposal :

'The third section "Capital and Profit" to be divided as follows:

1. Transformation of surplus-value into profit. The rate of profit as distinct from the rate of surplus-value.
2. Transformation of profit into average profit. Establishment of the general rate of profit. Transformation of values into prices of production.
3. A.Smith's and Ricardo's theories on profit and prices of production.
4. Ground-rent (illustration of the difference between value and price of production).
5. History of Ricardo's so-called Law of Rent.
6. Law of the fall in the rate of profit. A.Smith, Ricardo, Carey.
7. Theories of profit (question whether or not to include Sismondi and Malthus in *Theories of Surplus-Value*).
8. Division of profit into industrial profit and interest. Mercantile capital. Money-capital.
9. Revenue and its sources. Include here the question of the relation of the processes of distribution and production.
10. Reflux movements of money in the process of capitalist production as a whole.
11. Vulgar Economics.
12. Conclusion. Capital and wage-labour.'

How does Kautsky comment on the plans shown above? 'By all accounts', he says, 'the proposals for the first and third volume[17] are

[17] This should read, 'for the first and third sections of the *Book on Capital*'.

sufficient to show that at the time of their drafting Marx had already established the outline of *Capital* [by which Kautsky means the final version] in its fundamentals. . . . Five years before the publication of the first volume, *Capital* as a whole was not only thought out in general terms, but actually already finalised in the same organised form in which it eventually appeared in public. This follows directly from a comparison of the outline with the List of Contents of Volume I. They coincide almost completely. The line of reasoning which Marx developed in the first volume as "Historical tendencies of capitalist accumulation", and which leads to the expropriation of the expropriators, is clearly to be understood under "change in the appearance of the law of appropriation". There are only two significant differences between the preliminary plan and the final edition of the first volume. In the plan Marx adheres strictly to his intention of providing the history of the theories on particular points of political economy at the end of the exposition of each of them in the form of a summary, as was done in the *Critique*[18] [i.e. the *Contribution*] . . . It will surely be seen as appropriate that the presentation of the history of the theory was partly reserved for an overall description in a specific fourth volume, and partly given in individual footnotes, depending on the circumstances.'

'But why,' Kautsky continues, 'didn't Marx deal with productive labour in the first volume, as he originally intended? One cannot suppose that he wanted to exclude it completely from the scope of his researches in *Capital*, because it is too important to it. Where did he think he could bring it in if he excluded it from the first volume? Unfortunately we are not in a position to say anything about that, we haven't the slightest clue to a definite answer.'

We read, in the same preface by Kautsky that : 'The final form of the book fits even more closely to the preliminary outline in the third volume than in the first. If we disregard the digressions on the history of the theory of rent and profit, mentioned above, which were planned and then dropped, the only difference between the third volume (insofar as it was finished) and his first plan lies in the order of the material. In the preliminary outline the exposition of the laws of ground-rent precedes the discussions of trade profit and money interest. The order is reversed in the third volume. The one seems to me to be just as good as the other, and does not constitute a substantial difference.'[19] This, then, is Kautsky's view. As with his com-

[18] The *Rough Draft* also contains sections specifically on 'Theories of Surplus-Value and Profit'.

[19] *Theories* (Kautsky's edition) III, VIII-X.

ments on productive labour, his entire commentary is likewise based on a misunderstanding. He simply notes the fact that Point 5 of the outline for the first section corresponds fairly precisely to the contents of Chapters 16 and 17 of Volume I of *Capital*, and that Chapter 16, dealing with 'Absolute and Relative Surplus-Value', begins with an examination of the definition of the concept of productive labour, which was intended to extend and complete the earlier analysis of this concept 'from the standpoint of the simple labour process'. In fact, in Chapter 16 Marx restricts himself to a short resumé of his research on this subject and, apart from that, refers the reader to the 'Fourth Book' of his work (according to the 1866 outline); that is, to the *Theories*, published by Kautsky himself, where a more extensive examination of this question can be found [on pages 152-300 of Part I of the English edition].

Nor can one agree with Kautsky that 'the line of reasoning which Marx developed in the first volume as "Historical Tendencies of Capitalist Accumulation" is to be understood under "Change in the Appearance of the Law of Appropriation" '. It is nothing of the sort. What it has much more to do with, is the fact that the law of appropriation in a simple commodity economy must change into the capitalist law of appropriation when the transition to bourgeois production has taken place. Marx devoted an entire sub-chapter of Volume I of *Capital*[20] to this idea and in fact it represents the crux of his criticism of the classical school.

However, these are only details. Kautsky's assertion as to the alleged 'almost total' correspondence between the January 1863 outline and the contents of Volume I and III of *Capital* is a much more serious error. It must be obvious that, in contrast to the *Rough Draft*, the outline for Section I includes such topics as the 'Struggle for the Normal Working-Day', 'Simple Co-operation', 'Division of Labour', 'Ratio of Wage-Labour to Surplus-Value', 'Primitive Accumulation', 'Theory of Colonisation' – that is, the topics which correspond to Chapters 10, 13, 14, 17, 26 and 33 of Volume I. However what is totally absent is an analysis of the category of the wage and its forms – the material which Marx deals with in Part VI of Volume I. From this we can conclude that Marx reserved this topic for a separate *Book on Wage-Labour*. Thus, the proposal for Section I

[20] See the first sub-chapter of Chapter 24: 'Capitalist Production on a Progressively Increasing Scale. Transition of the Laws of Property that Characterise Production of Commodities into Laws of Capitalist Appropriation.' (See also *Grundrisse*, pp.238, 295, 457-58, 469-70, 501, 673-74 and in the German edition pp.903-904; and *Theories* I, p.86, III, pp.377-78, 483.)

seems to correspond more to the original outline of 1857, than to that of 1866.

The matter is more complicated as far as Section III is concerned. In the first place, with regard to ground-rent, one can hardly agree with Kautsky that the question is simply one of a 'difference in the ordering of the material'. In fact Marx says in the proposal itself that he simply wants to deal with the problem of ground-rent as a digression in order to 'illustrate the difference between value and the price of production',[21] which should connect directly with the analysis of the 'transformation of the values of commodities into prices of production'. On the other hand we regard it as important that the proposed outline departs from the former method of subdividing the *Book on Capital*, insofar as it dispenses with a separate treatment of competition. However, the proposed outline still lacks an analysis of credit and share-capital. (Kautsky's reference to Point 8 of the proposed outline in no way suffices, as Marx deals with the category of interest in the *Rough Draft*[22] and in the *Theories of Surplus-Value*,[23] although he expressly excludes the credit system from consideration.[24])

We therefore conclude that the proposed outline of January 1863 remained for the most part within the framework of the original plan, although one can already detect a departure from it. This hypothesis is substantiated by a reading of the *Theories* themselves (that is the published sections of the 1861-63 manuscripts). There are numerous points in the *Theories* where the reader is referred sometimes to the separate *Book on Wage-Labour* and landed property, and sometimes to the further sections of the *Book on Capital* (as referred to in the original outline).

Let us begin with the latter. We should first mention that the outlines published by Kautsky were drafted by Marx when the manuscript of the *Theories* was almost finished. This explains why references can be found in the *Theories* to both the particular section

[21] Hence, this only concerns Marx's theory of absolute rents. (Cf. *Theories* (Kautsky's edition), II, p.329, 'Absolute rent is the surplus of value over the price of production of products of the soil. Differential rent is the surplus of the market price of the product of better soils over the value of its own product.') (Cf. *MEW* Vol.26, 2, p.137.) Cf. also Marx's letter to Engels of 2 August 1862: 'I now intend after all to bring the theory of rent already into this volume as a supplementary chapter, i.e. as an "Illustration" of a principle laid down earlier.' (*Selected Correspondence*, p.120.)

[22] See Chapter 27 below.

[23] *Theories* III, pp.453-96.

[24] See, for example, *Grundrisse*, pp.790, 805, 854; *Theories* II, pp.212, 482, 492, 513, 533; *Theories* III, pp.53, 466.

on credit[25] and also to that on competition.[26] One thing is clear from the outset. In the *Rough Draft* it is repeatedly stressed that a thorough treatment of the problem of the average rate of profit and prices of production is not possible until the analysis of 'many capitals',[27] i.e. competition.[28] However, in the *Theories* Marx was compelled to deal with Smith's and Ricardo's theories of value and surplus-value; but he could not have done this had he not dealt in detail with the question of the establishment of the general rate of profit and the transformation of values into prices of production. So it became necessary, in the course of the work itself, to go far beyond the limits of the original section on 'capital in general'. It is true that several questions (which we later find dealt with in Volume III of *Capital*) are assigned to the 'Chapter' or 'Section' on competition.[29] However, the fact that so much of the material originally destined for the special section on competition was already anticipated in the Manuscript of 1861-63 finally led, as we have already seen in Marx's proposed outline, to the complete elimination of this section, and consequently to the substitution of the new outline for the old.

A different result emerges if we consider the references to the *Book on Landed Property* and the *Book on Wage-Labour* which can be found in the *Theories*. Marx emphasises once more, in the section of Part II of the *Theories* dealing with Ricardo's theory of rent, that all he wants to do is 'set forth the general law of rent as an illustration of my theory of value and cost prices' since, he adds, 'I do not intend to give a detailed exposition of rent till dealing with landed property *ex professo*'.[30] The references to the *Book on Wage-Labour* are equally clear. This was the book in which Marx wanted to examine, among other things, the important question of skilled labour,[31] and remuneration for the so-called 'unproductive services'.[32]

[25] Cf. the previous note.

[26] See *Theories* II, pp.202, 238, 454, 468, 483, 492, 504, 513; III, pp.53, 311, 356.

[27] See Section IV/B. of this chapter on the category of 'many capitals'.

[28] *Grundrisse*, pp.435-36, 567, 760.

[29] Most informative in this respect is surely the example of 'counteracting tendencies to the tendency of the rate of profit to fall'. In Part III of the *Theories* (pp.311-12) the study of these 'tendencies' is still referred to the specific chapter on the 'competition of capitals'. However in Volume III of *Capital* there is an entire chapter dealing with 'Counteracting Influences' to the decline in the rate of profit.

[30] *Theories* II, p.269. Cf. *ibid.* pp.30, 37, 103-104.

[31] *Theories* III, pp.165.

[32] *Theories* I, pp.404.

In this respect he still adhered to his original outline.

As a final piece of evidence we want to draw upon the manuscript for Volume III of *Capital*, published and partially re-edited by Engels, as this manuscript was first produced in the years 1864-65, that is, at the time when, in our opinion, the transition from the old to the new outline took place.

As far as the originally envisaged section specifically on competition is concerned, several topics (appearing in more detail) were allotted to a 'Special Analysis of Competition' in the manuscript of 1864-65.[33] However, the key thing here is the perspective which Marx had already set out on Page 1 of the manuscript.

'In their real movement, capitals face each other in concrete forms of this kind, for which the form of capital in the direct production process, as also its form in the process of circulation, appears merely as specific moments. The forms of capital, as we develop them in this book, progressively approach the form in which they appear on the surface of society, in the action of the different capitals upon one another, in competition, and in the everyday consciousness of the agents of production.'[34] Hence the previous fundamental separation of the analysis of 'capital in general' and that of competition is dropped here, which naturally did not rule out the necessity of assigning certain specific problems to a separate section on competition.[35]

The question of the Section on Credit (and share-capital) cannot be resolved so definitively. Marx's own statements indicate that Volume III was supposed to contain a thorough analysis of the credit system.[36] Marx therefore also broke with the old outline on this point. However, in the first section of the manuscript of 1864-65 we find the comment that the presentation of the credit system 'should remain outside the scope of my work'.[37]

Furthermore, at the beginning of Chapter 25 of *Capital*, Volume III, Marx says, 'An exhaustive analysis of the credit system and of the instruments which it creates for its own use (credit-money etc.) lies beyond our plan.'[38] These are statements which seem to indicate

[33] See *Capital* III, pp.83, 118, 196, 235, 831.

[34] *ibid.* p.25. Cf. *ibid.* p.828.

[35] It should be mentioned here that, according to Marx's intention, the 'special analysis of competition' was mainly to have dealt with the 'real movement of market price', i.e. with the problem which constitutes the main object of analysis of so-called contemporary academic theory.

[36] See *MEW* Vol.31, p.296 and *MEW* Vol.32, pp.74, 204.

[37] *Capital* III, p.110.

[38] *ibid.* p.400. (Cf. Chapter 27 below.)

a certain indecision, which would certainly have been overcome had Marx had the chance to draft the manuscript in a form ready for printing – in particular Part V, which existed mainly in the form of notes.[39]

So much on competition and credit. But how does this relate to the material which should have been dealt with in Books II-VI of the work, according to the original outline?

As far as the *Book on Landed Property* is concerned, the work on the *Theories* led Marx to go beyond Point 4 of the proposed outline for Section III of January 1863. He by no means confined himself to an 'Illustration of the difference between values and prices of production' in the *Theories*, i.e. to an exposition of the theory of absolute rent, but in addition provided a detailed critique of Ricardo's theory of differential rent. Both problems – absolute and differential rent – were then dealt with in the 1864-65 manuscript, although the examination of differential rent now came first.[40]

In the manuscript of Volume III, published by Engels, there is not only a separate chapter on the rents for building land and mines and on the price of land, but also an exhaustive inquiry into the 'Genesis of capitalist rent' – thus fulfilling an intention which had already been stated in Volume II of *Theories*.[41] Part VI of Volume III, which was produced as a result, ought to have covered the crucial themes of the *Book on Landed Property*, as it was originally envisaged; although Marx emphasises that 'a systematic treatment of landownership, which is beyond the scope of our plan' not only involved a consideration of the different historical forms of

[39] Cf. Engels's Foreword to Volume III of *Capital*, pp.2-21.

[40] In fact the change in the order can be traced back to Engels, who, however, simply followed Marx's outline note on pp.726-27 of Volume III.

[41] The following passage is meant here: 'The following problems should now be set forth: 1. The transition from feudal landownership to a different form, commercial land rent, regulated by capitalist production, or, on the other hand, the conversion of this feudal landed property into free peasant property. 2. How rent comes into existence in countries such as the United States, where originally land has not been appropriated and where, at any rate in a formal sense, the bourgeois mode of production prevails from the beginning. 3. The Asiatic forms of landownership still in existence.' (*Theories* II, p.42) Marx returns to all but the last of these points in the manuscript of Volume III. We should perhaps still mention in this connection that Marx also intended (as we can infer from the footnote on p.869 (711) of Volume I of *Capital*) 'to demonstrate in detail how the famine and its consequences have been deliberately exploited both by the individual landlords and by the English Parliament through legislation so as to accomplish the agricultural revolution by force and to thin down the population of Ireland to the proportion satisfactory to the landlords'. Marx did not return to this point either.

landed property, but also several of the specific questions which relate to modern landed property itself.[42] On the other hand we know from Engels's Preface to Volume III of *Capital* that in the seventies 'Marx engaged in entirely new special studies for the part on ground-rent. For years he had studied the Russian originals of statistical reports inevitable after the "Reform" of 1861 in Russia and other publications on landownership and had taken extracts from them . . . Owing to the variety of forms both of landownership and of the exploitation of agricultural producers in Russia, this country was to play the same role in the part dealing with ground-rent that England played in Book I in connection with industrial wage-labour.'[43] We cannot say what effect this would have had in changing the manuscript on ground-rent.

Why the manuscript of 1864-65 contains no references of any kind to a separate *Book on Wage-Labour* can be easily explained. The manuscript was already drafted according to Marx's new outline and consequently all the themes of the earlier book on wage-labour came into the scope of Volume I of the work, which dealt with the production process.

Finally, as far as the original Books IV-VI (state, foreign trade, world market) are concerned we should like to refer here to the section from Volume III of *Capital*[44] which has already been cited, where Marx excludes the question of 'Competition in the World Market' from the scope of his research for *Capital*. The same applies to the problem which relates very closely to this, namely that of the business cycle – 'the alternation of prosperity and crisis' – 'whose further analysis', as Marx repeatedly stressed 'falls outside our field of study'[45] and was perhaps intended for an 'eventual continuation' of the work. This does show, however, that Marx's theory of crises had 'gaps', in the sense that he never again had the opportunity of dealing with the problem at its most concrete level. To this extent Rosa Luxemburg's criticism[46] contains an element of truth.

So much for the changes in the outline which can be established by looking at the manuscripts for *Capital* itself. What conclusions can we draw from our inquiry? First, that the transition from the old outline to the new did not take place before 1864-65; second, that on the subject of the changes in the outline we must draw a

[42] *Capital* III, pp.614, 615, 618.

[43] *ibid.* p.7 of Engels's Preface.

[44] *ibid.* p.110.

[45] *ibid.* pp.360, 362, 831.

[46] Rosa Luxemburg, *The Accumulation of Capital*, London: Routledge and Kegan Paul 1963, pp.165-70.

sharp distinction between the original Books I-III and Books IV-VI.

As far as these last books are concerned our inquiry suggests the conclusion that they were never really 'abandoned'. That is to say, their subject matter was never fully assimilated within the second structure of the work, but rather held back for the 'eventual continuation' itself. And since the subjects under consideration are only dealt with intermittently in *Capital*, the so-called 'gaps theory' does seem to have some justification. (This is, in fact, Grossmann's term. Of course he himself denies that there are any 'gaps' in Marx's *Capital*.[47])

The position is quite different in the case of Books II and III. These had to be incorporated into the new structure because *Capital* would have been inconceivable without a treatment of the questions which they deal with. (The same of course applies to Sections b) – d) of the *Book on Capital* as in the original plan.) So our present problem, that of the change in the outline, only arises in connection with these latter parts of the former structure – namely Books II and III and Sections b) – c) of the first book.[48]

III. PREVIOUS EXPLANATIONS OF THE CHANGE IN THE OUTLINE

(The attempted explanations of Grossmann and Behrens)

This is sufficient on the outward history of the change in the outline. But what about the reasons for the change, and how do they relate to the methodology of Marx's work? It is indicative (and at the same time quite appalling) that this question, which is so fundamental to an understanding of Marx's system, was not brought up until Grossmann, the author of the *Akkumulationsgesetz*, did so in 1929.[49] However, like several other post-war authors who dealt with this subject, he did not succeed in answering the question.

Grossmann is of course right when he says that: 'A change in the outline of *Capital* could not have been an accidental matter, nor a technical question of the presentation, a question of clarity, for

[47] H. Grossmann, *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, p.417.

[48] Accordingly we shall limit ourselves in this chapter to Books I-III and only refer occasionally to Books IV-VI in the course of the work.

[49] See Grossmann, *Die Änderung des Aufbauplans des Marxschen 'Kapital' und ihre Ursachen* in *Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung*, 1929, pp.305-38.

example.' Rather, as he says, it must be traced back to something 'internal'; that is, methodological reasons must be found. However, the reasons Grossmann himself gives are so inadequate that we have to regard his attempted explanation as a complete failure.[50]

According to Grossmann the question can be solved quite simply. Whereas Marx's work in its final form is structured according to the individual functions of industrial capital from a scientific viewpoint, the original outline merely represents an empirical division of the material to be dealt with.[51] It was not until later, in 1863, that Marx – in connection with his study of the problem of reproduction – 'necessarily arrived at the point where he could no longer take the given world of appearance as the object of his analysis'. It was not until then that he succeeded in advancing 'from the visible surface manifestations of profit and the different forms of capital to a comprehensive vision of the totality, aggregrate surplus-value and aggregate capital. This made it impossible to adhere to the original outline.'[52] So, in fact, the abandonment of this outline amounted to breaking out of what was essentially a Vulgar-Economic shell, which had imprisoned Marx until 1863!

Grossmann's study was sharply criticised by Behrens.[53] In contrast to Grossmann, Behrens seeks to derive the change in the outline from the 'essence of the materialist dialect'. What he actually comes up with is this: 'If Marx originally set out from an external point of view, with the division into six books, and followed the traditional classification of economics up to that time, he now constructed his work [i.e. according to the amended outline] along strictly scientific lines.'[54]

Despite his criticism of Grossmann's 'external-mechanistic' method, it is evident that Behrens's own explanation resembles it

[50] Cf. the penetrating criticism of Grossmann's study in O.Morf's book: *Das Verhältnis von Wirtschaftstheorie und Wirtschaftsgeschichte bei Karl Marx*, 1951, pp.75-78.

[51] Here in Grossmann's own words: 'Whereas the articulation of the 1859 outline into six sections is from the standpoint of the material to be dealt with: Capital, Landed Property, Wage-Labour, Foreign Trade etc. the structure of the work in the final outline is from the standpoint of knowledge . . . methodological considerations [lead] to the abstraction and separate representation of the individual functions of industrial capital from their diverse reality, without regard to the material. The material as a whole is only dealt with within the representation of each of the functions from the respective functional standpoints.' (*op. cit.* p.311.)

[52] *ibid.* pp.319-20.

[53] Fr. Behrens, *Zur Methode der politischen Ökonomie*, 1952, pp.31-48.

[54] *ibid.* pp.32-33.

exactly. Both of them (equally externally) want to derive the change in the outline from Marx's preoccupation with a particular area of investigation.[55]

Both 'localise' the time of the change to 1863[56] on the basis of an arbitrarily interpreted passage of the *Correspondence* and, finally, they both interpret Marx's original outline as being in accordance with the methodology of Vulgar Economics. The 'dialectical' accessories which Behrens uses to decorate his argument make no difference at all.

It would be a pure waste of time to look at these superficial attempts at an explanation any more closely. The intention of the original outline must be derived from an analysis of the *Rough Draft*, and the later *Capital* manuscripts themselves, if we are to find a solution to the problem of the change in the outline.

IV. THE METHODOLOGICAL IMPORT OF THE ORIGINAL OUTLINE

A. The first three 'Books'

1. Marx on the method and object of political economy

Does not the articulation of the work, which is to be found in the first outline, coincide at least outwardly with the conventional divisions of bourgeois economics? It does, but only outwardly : and the task of marxist research consists in proceeding to the essence of the

[55] The difference is simply that, according to Grossmann, Marx first came upon the idea in the course of his work on problems of reproduction, which he allegedly began in 1863, that 'instead of an analysis of the given empirical material, the function of the creation of surplus-value has to stand in the foreground' (Grossmann, *op. cit.* p.320); whereas according to Behrens Marx owes this sudden inspiration to his 'renewed critical confrontation with classical bourgeois economics', with its theories of surplus-value (Behrens, *op. cit.* p.44). It is sufficient here to mention that Marx first became occupied with the problem of reproduction in 1858 (*Rough Draft*), and that, on the other hand, all the essential points which Marx used against Smith's and Ricardo's methodology can be found in the *Rough Draft*.

[56] The relevant passage here is this. Marx wrote to Engels on 15 August 1863: 'My work is proceeding well in one respect. It seems to me that with the final working out the points are taking on a tolerable popular form – with the exception of a few unavoidable M-Cs and C-Ms . . . At any rate it will be 100 per cent easier to understand than No. 1 [i.e. the *Contribution*]. Moreover, when I look at the concoction and see how I've had to overturn everything and compose the historical part to some extent out of quite unknown

matter, to the basic methodological assumptions, which distinguish Marx's classification from the conventional one, and not in allowing itself to be deceived by superficial similarities.

The outline we are discussing here was first drafted by Marx in September 1857, at the end of the chapter dealing with the 'Method of Political Economy', which forms the Introduction preceding the *Rough Draft*.[57] It follows that any initial clarification of the real intention behind Marx's original outline should be looked for in this chapter.

Marx shows here that the method of 'ascending from the abstract to the concrete' is the only scientific way of 'appropriating the concrete and reproducing it as the concrete in thought'. 'The concrete is concrete', so runs the now famous sentence of the Introduction, 'because it is the synthesis of many determinations, hence the unity of the diverse'.[58] Therefore it can only be fully understood by means of thought as a 'process of synthesis'; that is, by means of the progressive reconstruction of the concrete from the most simple, abstract definitions of the concrete itself. On the other hand if scientific (in this case economic) analysis begins directly with the 'real and concrete', with the 'actual preconditions' themselves, for example population or the world market, then it has an indistinct and completely undefined picture of reality to deal with. Because : 'Population is an abstraction if I leave out, for example, the classes of which it is composed. These classes in turn are an empty phrase if I am not familiar with the elements on which they rest. E.g. wage-labour, capital etc. These in turn presuppose exchange, division of labour, prices etc. . . . Thus, if I were to begin with population, this would be a chaotic conception of the whole, and I would then, by means of further definition, move analytically towards ever more simple concepts : from the imagined concrete towards ever thinner abstractions until I had arrived at the simplest definitions. From there the journey would have to be retraced until I finally arrived back at population, but this time not as a chaotic conception of the whole, but as a rich

material, I find it really amusing that Lassalle has "his" Economics well in hand . . .' Behrens and Grossmann want to conclude from this that the words 'how I've had to overturn everything' relate directly to the change in the outline. However, what is more likely is that the 'overturning' does not mean the original outline, but rather all previous economics, in which case Grossmann's and Behrens's fixation on 1863 as the time of the change lacks any foundation.

[57] *Grundrisse*, pp.100ff.

[58] Cf. Hegel, *Encyclopädie der philosophischen Wissenschaften im Grundrisse* (1870) p.60. 'The concept as concrete, and in fact any particular is essentially in itself a unity of diverse determinations.'

totality of many definitions and relations.' And it is precisely for this reason that a correct and scientific method of political economy must ascend 'from the simple, such as labour, division of labour, need, exchange-value . . . to the state, exchange between countries and the world market',[59] in order that the development of the capitalist mode of production can be followed through until it is grasped in its totality.

We refer to this section, which has been quoted so often, because it provides us with some explanation of Marx's outline of 1857 and because it demonstrates that this outline (as did *Capital* later) 'follows the path from abstract definitions to the concrete', and was in no way arranged in a form corresponding 'to the point of view of the raw material'.[60] This is not all, however. The original outline was clearly drawn up so that the process of synthesis, the 'ascent from the abstract to the concrete' occurs there several times. This can be seen particularly clearly in the changes to the outline on page 108 of the *Grundrisse*. In this version the inquiry proceeds from general categories (exchange-value, money, price), through an analysis of the 'inner structure of production' – the categories of capital, landed property and wage-labour – in order to arrive at the synthesis of bourgeois society in the form of the state. Here bourgeois society is studied 'in its relation to itself', which naturally offers quite new perspectives. However, this is still not the final stage of concretisation! For the domestic economy must be understood in its external relations to other capitalist (and non-capitalist) countries, and ultimately as one element in a totality which embraces all countries. Only then do we arrive at the category 'world market' and the 'world economy' as a 'rich totality of many definitions and relations'. Finally, the same procedure of the ascent from 'the abstract to the concrete' is repeated in the *Book on Capital*, where Marx begins with 'capital in general' in order to reach, via an examination of competition and the credit system, capital in its most developed form, share-capital.[61]

So we see that what distinguishes the original outline is primarily the view of the bourgeois economy as an 'organic whole', the perspective of a totality – of the 'all-pervasive, determining supremacy of the whole over the parts' (G.Lukacs).[62] A view far removed from the method of bourgeois economics, which brings outward appearances into a purely external relation with one another. Accordingly Marx stresses in the same chapter of the Introduction that 'it would be wrong and impractical' to deal 'with the economic categories in the same sequence as that in which they were the determining factors in history. Their sequence is determined, rather, by the relation which they bear to each other in modern bourgeois society, which is precisely the opposite of what seems to be their natural order or the order of their succession in history.' Marx states further, 'This must be kept in mind because it has an immediate and decisive bearing on the arrangement of the categories. For example, nothing seems more natural than to start with rent, with landed property, because it is bound up with land, the source of all production and all existence, and with the first form of production in all reasonably settled societies – namely agriculture. But nothing could be more erroneous.' For 'in all forms of society there is a certain form of production which predominates over all the rest, and whose relations determine the rank and influence of all others.' For example, under capitalist production agriculture becomes more and more a branch of industry, and as such, subordinate to capital. And it is precisely for this reason that in the theoretical analysis of the bourgeois social order, capital 'as the all-prevailing economic power of bourgeois society', 'must form the starting-point as well as the end and be developed before landownership'. (And their 'mutual relation should not not be studied until after they have been looked at separately'.)[63]

[59] *Grundrisse*, pp.100-101.
[60] Morf, *op. cit.* p.35.
[61] Cf. Marx's letter of 2 April 1858 to Engels. *Selected Correspondence*, pp.97-101.
[62] *History and Class Consciousness*, p.27.

2. *The 'trinity formula' of bourgeois economics*

However, if the category of capital constitutes 'the starting point as well as the end', why did Marx intend to follow the *Book on Capital* with separate books on landed property and wage-labour? Doesn't this indicate a certain inconsistency or methodological immaturity in the original outline?

Not at all. We first have to remember that the threefold division of the material in bourgeois economics did not always serve apologetic ends, and that we should distinguish between classical and Vulgar Economics in this respect at least. We know that Marx was unmerciful in his demolition of the 'trinity formula' of Vulgar Economics, with its theory of three 'factors of production' – capital, land and labour – understood not simply as three different sources of income, but at the same time as independent sources of value creation, working harmoniously together. ('As for example, the peasant,

[63] *Grundrisse*, pp.106-107.

the ox and plough, and the land in agriculture, which despite their dissimilarities work harmoniously together in the real labour process'.[64]) He shows that 'the mystification of the capitalist mode of production, the reification of social relations is accomplished' in this formula, because it unthinkingly compounds the historically determined social forms of production with the material aspects of the real labour process: 'the enchanted, perverted, topsy-turvy world in which Monsieur le Capital and Madame la Terre do their ghost-walking as social characters and at the same time directly as mere things.'[65] However, this characterisation only applies to Vulgar Economics proper, or the elements[66] of it which were undoubtedly to be found in the classical school.[67] Secondly, the 'trinity formula' does contain a certain germ of truth, because owing to the separation of the real producers from the means of production, the value created by the annual addition of new labour divides into three parts, which take on the shape of three different kinds of revenue, and form the annual income of the three social classes – the capitalists, landowners, and the workers. 'These, then, are relations or forms of distribution for they express the relations under which the newly-produced total value is distributed among the owners of the various productive agencies.'[68]

Indeed: 'If labour were not defined as wage-labour the form in which it takes its share of products would not appear as wages.'[69]

[64] *Theories* III, p.503.

[65] *Capital* III, p.830. Accordingly, it is stressed in the Introduction that it would be a 'complete illusion' to derive ground-rent 'simply from the earth' or wages 'as simply from labour'; these forms of distribution presuppose the modern form of landed property modified by capitalism, and modern wage labour.

[66] *Theories* III, p.500.

[67] However as far as classical political economy is concerned, 'it seeks to grasp the inner connection in contrast to the multiplicity of outward forms. It therefore reduces rent to surplus profit, so that it ceases to be a specific, separate form and is divorced from its apparent source, the land. It likewise divests interest of its independent form and shows that it is a part of profit. In this way it reduces all types of revenue and all independent forms and titles under cover of which the non-workers receive a portion of the value of commodities, to the single form of profit. Profit, however, is reduced to surplus-value since the value of the whole commodity is reduced to labour; the amount of paid labour embodied in the commodity constitutes wages, consequently the surplus over and above it constitutes unpaid labour, surplus labour called forth by capital and appropriated gratis under various titles.' (*ibid.* p.500.) To this extent the threefold division of the material in Classical Economics has no connection with the 'trinity formula' of Vulgar Economics.

[68] *Capital* III, p.877.

[69] *Grundrisse*, p.95.

On the other hand, if the ruling class did not possess a monopoly of the means of production they could not compel the worker to perform surplus labour, and would therefore not be in a position to appropriate the different parts of the surplus-value produced by the worker in the form of manufacturers' profits, interest and rent. So the distribution of products is preceded by a 'distribution of the elements of production', the 'separation of the ability to work, as the worker's commodity, from the means of production, the property of non-workers'.[70] 'The distribution of products is evidently only a result of this distribution, which is comprised within the process of production itself and determines its structure.'[71] From this perspective 'the so-called relations of distribution are themselves relations of production', only under a different form.[72] It therefore follows from this that it is foolish 'to view the bourgeois forms of production as absolute, but the bourgeois forms of distribution as historically relative, and hence transitory'.[73] However, it does *not* follow that the forms of distribution should only be given secondary importance in economics. On the contrary; these forms continually react upon the relations of production. 'The specific features and therefore also the specific limitation . . . enters production itself as a determining factor which overlaps and dominates production.'[74] 'Ricardo, whose concern was to grasp the specific social structure of modern production and who is the economist of production *par excellence* declares for precisely that reason that distribution, and not production, is the proper study of modern economics.'[75]

However, in the last analysis, Marx's main concern was also to consider the forms of appearance of distribution 'which serve as the starting-point for the Vulgar Economists', as the necessary obverse of the relations of production: to establish 'the three major classes of developed capitalist society – the landowners, capitalists and wage-labourers – corresponding to three great forms of revenue – ground-rent, profit and wages – and the class struggle, an inevitable concomitant of their existence, as the actual consequence of the capitalist

[70] *Capital* II, p.389.

[71] *Grundrisse*, p.96.

[72] *ibid.* p.832.

[73] *Theories* III, p.84.

[74] *ibid.* In this sense profit and interest are denoted as 'determining determinates' in the Introduction to the *Grundrisse*.

[75] *Grundrisse*, pp.96-97. (Cf. p.95-96) 'Thus economists such as Ricardo, who are the most frequently accused of focusing on production alone, have defined distribution as the exclusive object of economics, because they instinctively conceived the forms of distribution as the most specific expression into which the agents of production of a given society are cast.')

period'.[76] Accordingly Volume III of *Capital* ends with an analysis of the revenues of the social classes. In addition, however, according to the outline of 1857, the analysis of capital, landed property and wage-labour was to have opened out into a study of the 'three great social classes', and the 'exchange between them'. In other words, Marx expected the analysis of the relations of production to lead on to that of the relations of distribution.[77] And so a considerable correspondence between the original outline and the final one can also be established on this issue.

3. *The three fundamental social classes*

From what has been said it is now clear how we should interpret the projected threefold division of the inquiry in the first outline into the three separate books on capital, landed property and wage-labour; it was necessary 'to investigate the economic conditions of existence of the three main classes into which modern bourgeois society is divided'.[78] What determines this class division? (Or, as it states in the fragment of Chapter 52 of Volume III of *Capital* – 'What makes wage-labourers, capitalists and landlords constitute the three great social classes?')[79]

As far as workers and capitalists are concerned there is clearly only one answer; their functions in the production process.[80] This is quite evident in relation to wage-labour. The capitalist social order would be inconceivable without the category of wage-labour. In order to expand its value, capital must constantly have available a class of people who entirely lack the means of production and who therefore have to purchase a portion of the value-product created by them through the performance of surplus labour. The role and existence of the capitalist class is also given by their function in the production process (this naturally only applies to industrial capital).[81] Marx writes in his *Marginal Notes on Adolph Wagner*: 'I

[76] *Capital* III, p.7. Cf. *MEW* Vol.32, pp.74-75.
[77] See *Grundrisse*, pp.108, 264.
[78] *Contribution*, p.19.
[79] *Capital* III, p.886.
[80] In this sense Marx speaks at one point of 'functionally determined social classes'.
[81] 'Industrial capital is the only mode of existence of capital in which not only the appropriation of surplus-value, or surplus-product, but simultaneously its creation, is a function of capital. Therefore with it the capitalist character of production is a necessity. Its existence implies the class antagonism between capitalists and wage-labourers . . . the other kinds of capital, which

represent the capitalist as a necessary functionary of capitalist production, and indicate at length that he does not only "deduct" or "rob", but enforces the production of surplus-value and thus first helps to create what is to be deducted; I further show in detail that even though in the exchange of commodities only equivalents are exchanged, the capitalist begins to obtain surplus-value as soon as he has paid the worker the real value of his labour-power – and he is fully entitled to do this by the law which corresponds to this mode of production.'[82] Or as we read in the *Theories*: 'The capitalist is the direct exploiter of the worker, not only the direct appropriator, but the direct creator of surplus labour. But since this can only take place for the industrial capitalist in and through the process of production, he is himself a functionary of this process, its director.'[83] From this viewpoint, since 'materialised labour and living labour represent the two factors which have to be brought into contact with each other before capitalist production can take place . . . capitalists and wage-labourers are the sole functionaries and factors of production, whose

appeared before industrial capital amid conditions of social production that have receded into the past or are now succumbing, are not only subordinated to it, and the mechanism of their functions altered in conformity with it, but move solely with it as their basis, hence live and die, stand and fall with this basis.' (*Capital* II, p.57.)

[82] Marx adds, 'however all this does not make the "profit of capital" a "constitutive" element of value, but rather only proves that in the value which is not "constituted" by the labour of the capitalist, there is a part which he can "rightfully" appropriate, i.e. without violating the laws corresponding to the exchange of commodities.' (*MEW* Vol.19, pp.359-60: see English translation in *Theoretical Practice*, Issue 5, spring 1972, p.44.)

[83] 'Indeed', Marx wrote in 1863, 'capitalist production itself has brought it about that the labour of superintendence walks the streets, separated completely from the ownership of capital, whether one's own or other people's. It has become quite unnecessary for capitalists to perform this labour of superintendence. It is actually available separate from capital, not in the sham separation which exists between the industrial capitalist and the moneyed capitalist, but that between industrial managers, etc. and capitalists of every sort.' But this proves 'that the capitalist as functionary of production has become just as superfluous to the workers as the landlord appears to the capitalist with regard to bourgeois production.' (*Theories* III, p.497.) And then two years later Marx points out that the development of joint-stock companies would lead 'to the transformation of the actually functioning capitalist into a mere manager, an administrator of other people's capital, and of the owner of capital into a mere owner, a mere money capitalist'. 'In stock companies the function is divorced from capital ownership, hence also labour is entirely divorced from ownership of the means of production and surplus labour. This result of the ultimate development of capitalist production is a necessary transitional phase towards the reconversion of capital into the property of producers, although no longer as the private property of the individual

relation and confrontation arise from the essence of the capitalist mode of production.'[84]

For this very reason we must make a sharp distinction between the industrial capitalist and the large landowner. If we assume the capitalist mode of production, 'the capitalist is not only a necessary functionary, but the dominating functionary in production', whereas the landowner 'is quite superfluous in this mode of production'. Although he was 'an important functionary in the ancient world and the Middle Ages', he has 'become a useless excrescence in the industrial world'.[85] Therefore Marx considers that it is only consistent for economists, especially Ricardo, to 'start from a division into two, between capitalist and wage-labourer, and only bring in the landowner who draws rent at a later stage, as a special outgrowth . . . Far from being an error on the part of Ricardo[86] . . . this reduction of the classes participating directly in production, hence also in the value produced and then in the products in which this value is embodied, to capitalists and wage-labourers, and the exclusion of the landowners (who only enter *post festum*, as a result of conditions of ownership of natural forces that have not grown out of the capitalist mode of production but have been handed down to it from the past) . . . is an adequate theoretical expression of the capitalist mode of production, grounded in its essence, and it expresses its *differentia specifica*.'[87] It does not however follow that the landowner 'is not a necessary agent for capitalist production',[88] that he is unnecessary for the maintenance of this form of production, or that the capitalist economy could have arisen and developed without landownership.

producers, but rather as the property of associated producers as outright social property.' (*Capital* III, pp.436-37.) When 'sociologists' such as J.Burnham present the replacement of the functioning capitalist by the industrial manager as some major novelty, one really doesn't know whether this is a question of plagiarism or simple ignorance. More likely the second, as one cannot really attribute a knowledge of marxism to Burnham ('The Witchdoctor', as Trotsky called him).

[84] *Theories* II, p.152. Cf. *Capital* III, pp.879-80: 'In view of what has already been said, it is superfluous to demonstrate anew that the relation between capital and wage-labour determines the entire character of the mode of production. The principal agents of this mode of production itself, the capitalist and the wage-labourer, are as such, mere embodiments, personifications of capital and wage-labour; definite social characteristics stamped upon individuals by the process of social production; the production of these definite social relations.'

[85] *Theories* II, p.44.

[86] The quote is directed against Rodbertus.

[87] *ibid.* pp.152-53.

[88] *ibid.* p.152.

On the contrary; if land were 'at everybody's free disposal, then a principal element for the formation of capital would be missing. A most important condition of production and – apart from man himself and his labour – the only original condition of production could not be disposed of, could not be appropriated. It could not thus confront the worker as someone else's property and make him into a wage-labourer. The productivity of labour . . . in the capitalist sense, the "producing" of someone else's unpaid labour would thus become impossible. And this would put an end to capitalist production altogether.'[89] Looked at in this way, 'private ownership of land, private ownership by one person which presupposes non-ownership on the part of other persons – is the basis of the capitalist mode of production.'[90] For this reason capital simply cannot exist without landed property ('which it includes as its antithesis'), and therefore the change in the conditions of labour within capital presupposes not only 'the expropriation of the direct producers from the land', but also at the same time 'a definite form of landownership'.[91]

In fact, 'the form of landed property with which the incipient capitalist mode of production is confronted does not suit it. It first creates the form appropriate to it by subordinating agriculture to capital . . . landownership thus receives its purely economic form through the removal of all its former political and social embellishments and associations',[92] and is reduced to the category of capitalist ground-rent. And so it should not be forgotten that 'capitalist production starts its career on the presupposition of landed property, which is not its own creation, but which was already there before it'. As a consequence the influence capital can exert on landownership is limited. 'All that capital can do is to subject agriculture to the conditions of capitalist production.'[93] However, it cannot prevent a separate class of monopolistic owners of the means of production

[89] *ibid.* p.44.

[90] *Capital* III, p.812. In fact, the sole concern of capital is that 'the land and soil are not under common ownership, that they confront the working class as means of production which do not belong to it, and this aim would be completely attained if it became state property, i.e. if the state drew the rents'. 'The radical bourgeois proceeds then theoretically to the denial of private landownership which he would like to make into the common property of the bourgeois class, of capital, in the form of state ownership. However, courage is lacking in practice, since an attack on one form of property – a form of the private ownership of the conditions of work – would be very risky for the other forms.' (*Theories* II, p.44.)

[91] *Capital* III, p.870.

[92] *ibid.* p.617.

[93] *Theories* II, p.243.

from continuing to exist apart from and alongside the real capitalists in the shape of the large landowners. This class, 'confronts capital as alien power and a barrier . . . in its endeavour to invest in land',[94] and can squeeze from it a portion of the surplus-value produced by the workers. The 'private ownership of natural objects' is certainly 'not a source from which flows value, since value is only materialised labour. Neither is it the source from which surplus-value flows . . . This ownership is however a source of revenue . . . a claim to unpaid labour, gratis labour.'[95] In fact the landowner 'has a claim – through landed property (to absolute rent) and because of the physical differences of the various types of land (differential rent) – which enables him to pocket a part of this surplus labour or surplus-value, to whose direction and creation he contributes nothing'. (Marx adds here: 'Where there is a conflict, therefore, the capitalist regards him as a mere superfetation, a Sybaritic excrescence, a parasite on capitalist production, the louse that sits upon him.')[96]

4. *The 'transition from capital to landed property' and from 'landed property to wage-labour'*

We have spent some time on the question of landed property and the role which it plays in the capitalist mode of production. We shall see why this discussion was necessary when we come to the study of one particular line of thought which is crucial for the understanding of the original outline, and which can be found in both the *Rough Draft* and the *Correspondence*,[97] where Marx discusses the transition from capital to landed property, on the one hand, and, on the other, that from landed property to wage-labour.

The *Rough Draft* says on the subject of the first transition: 'In

[94] *Capital* III, p.764.
[95] *Theories* II, p.42.
[96] *ibid.* p.328.
[97] We can quote the second here, as it only consists of two sentences. Marx wrote to Engels on the subjects of Books II and III of his work, 'The transition of capital to landed property is at the same time historical, as the modern form of landed property is a product of the effect of capital upon feudal and other landed property. Similarly the transition of landed property to wage-labour is not only dialectical but historical, since the final product of modern landownership is the general positing of wage-labour, which in turn appears as the basis of the entire thing.' (*Selected Correspondence*, p.97.) Cf. Engel's reply of 9 April 1858: 'This arrangement of the whole into six books could not be better and pleases me a great deal, although I still don't see the dialectical transition from landed property to wage-labour clearly.' (*MEW* Vol.29, p.319.)

the money market [with which the *Book on Capital* was to have been concluded] capital is posited in its totality . . . but capital, not only as something which produces itself . . . but at the same time as a creator of values, must posit a value or form of wealth specifically different from capital. This is ground-rent. This is the only value created by capital which is distinct from itself, from its own production. By its nature as well as historically, capital is the creator of modern landed property, of ground-rent; just as its action therefore appears also as the dissolution of the old form of property in land. The new arises through the action of capital upon the old . . .'[98]

Consequently, as Marx himself stresses, the 'transition from capital to landed property' is to be understood in a double sense – both dialectically and historically. The second sense requires no further elucidation after the foregoing discussion. However, the dialectical transition should be understood as follows: The special form of wealth which capital itself creates is value based on labour. But apart from this there is also the 'value of natural agents' (agricultural land, waterfalls, mines etc.), which as such are not products of labour but which 'are appropriated, hence possess exchange-value and enter as values into the calculation of the cost of production'.[99] This value can only be explained by the Theory of Rent – and modern ground-rent represents a particular creation of capital, the only creation of capital 'as value distinct from itself, from its own production'. So the question is answered: 'How does it come about that commodities which contain no labour possess exchange-value, or in other words, how does the exchange-value of purely natural forces arise?'[100] Naturally 'value' here only has a figurative meaning, i.e. it cannot be directly explained by the theory of value as such, but rather, presupposes 'further developments'.[101] However, this is one reason why Marx did not intend to deal with landownership i.e. the theory of

[98] *Grundrisse*, pp.275-76.
[99] *ibid.* p.715.
[100] *Contribution*, p.62-63.
[101] 'It is also quite correct that the "value or price of land", which is not produced by labour, appears directly to contradict the concept of value and cannot be derived directly from it. This proposition is all the more insignificant when used against Ricardo, since its author does not attack Ricardo's theory of rent in which precisely Ricardo sets forth how the nominal value of land is evolved on the basis of capitalist production and does not contradict the definition of value. The value of land is nothing but the price which is paid for capitalised ground-rent. Much more far-reaching developments have therefore to be presumed here than can be deduced *prima facie* from the simple consideration of the commodity and its value, just as from the simple concept of productive capital one cannot evolve fictitious

ground-rent, until after the analysis of the category of capital – apart from the historical considerations which suggested this.

So much for the conceptual and historical interaction between landed property and capital. Marx continues: 'Now the question arises as to how the transition from landownership to wage-labour came about? Historically the transition is beyond dispute. It is already given in the fact that landed property is the product of capital.[102] We therefore always find that wherever landed property is transformed into money-rent through the reaction of capital on the older forms of landed property (the same thing takes place in another way where the modern farmer is created) and where, therefore, at the same time agriculture, driven by capital, transforms itself into industrial agronomy, there the . . . serfs, bondsmen, tenants for life, cottagers, etc. become day labourers, wage-labourers,' i.e. we find that wage-labour in its totality is initially created by the action of capital on landed property, and then, as soon as the latter has been produced as a form, by the landowner himself. The latter then "clears", as Steuart says, the land of its excess mouths, tears the children of the earth from the breast at which they were raised, and thus transforms labour on the land, which appears by its nature as the direct source of subsistence, into a mediated source of subsistence, a source purely dependent on social relations . . . There can therefore be no doubt that wage-labour in its classic form, as something permeating the entire expanse of society, which has replaced the very earth as the ground on which society stands, is initially created only by modern property[103] . . . This is why landed property leads back

capital, the object of gambling on the stock exchange, which is actually nothing but the selling and buying of entitlement to a certain part of the annual tax revenue.' (Marx on the text *Observations on Certain Verbal Disputes, Theories* III, pp.110-11.) Cf. *Capital* I, p. 677 (537): 'In the expression "value of labour" the concept of value is not only completely extinguished, but inverted, so that it becomes its contrary. It is an expression as imaginary as the value of the earth. These imaginary expressions arise, nevertheless, from the relations of production themselves. They are categories for the forms of appearance of essential relations.'

[102] Of course, only modern landed property is meant here.

[103] Marx says before this that 'The inner construction of modern society or capital in the totality of its relations, is therefore posited in the modern relations of modern landed property.' (*Grundrisse*, p.276.) And in another passage: 'It is therefore precisely in the development of landed property that the gradual victory and formation of capital can be studied, which is why Ricardo, the economist of the modern age, with great historical insight, examined the relations of capital, wage-labour and ground-rent within the sphere of landed property, so as to establish their specific form.' (*Grundrisse*, p.252.)

to wage-labour. It is nothing more than the extension of wage-labour from the cities to the countryside i.e. wage-labour distributed over the entire surface of society.'[104] In this respect, 'England has been the model country for the other continental countries'. On the other hand the same necessity for (modern) capitalist landownership is shown, 'if within one society the modern relations of production are fully developed, i.e. if capital is developed to its totality, and this society then seizes a new territory, as, for example, in the colonies'; then 'it finds, or rather its representative the capitalist finds, that his capital ceases to be capital without wage-labour, and that one of the presuppositions of the latter is not only landed property in general, but modern landed property; landed property which, as capitalised rent, is expensive, and which, as such, excludes the direct use of the soil by individuals. Hence Wakefield's theory of colonies,[105] followed in practice by the English government in Australia. Here landed property is artificially made more expensive in order to transform the ['indigenous'] workers into wage-labourers, to make capital act as capital . . .' And Marx stresses that it is precisely for this reason that 'Wakefield's theory is infinitely important for a correct understanding of modern landed property'.[106]

At the same time the transition from landed property to wage-labour is not only historical, but also dialectical: 'Capital, when it creates landed property, therefore goes back to the production of wage-labour as its general creative basis.[107] Capital arises out of circulation and posits labour as wage-labour; takes form in this way; and developed as a whole, posits landed property as its precondition as well as its opposite.[108] It turns out however that it has thereby only created wage-labour as its general presupposition. The latter must then be examined by itself.'[109]

[104] Cf. *Capital* II, pp.119-20: 'To the extent that labour becomes wage-labour, the producer becomes an industrial capitalist; for this reason capitalist production first appears in its full extent when the direct rural producer is a wage-labourer.'

[105] Cf. *Capital* I, Chapter 33 'The Modern Theory of Colonisation'.

[106] *Grundrisse*, pp.276-78.

[107] The expression which Marx uses here shows a close relation to Hegel's *Logic*, in particular to the theory of foundation, developed in Volume II. Cf. Hegel *Science of Logic*, Vol.I p.82. 'If it is considered that progress is a return to the foundation, to that origin and truth, then it must be admitted that this consideration is of essential importance . . . Thus consciousness is led back on its road from immediacy with which it begins, to absolute knowledge as its inmost truth.'

[108] Cf. the sentence from *Capital* III, p.879, according to which capital includes landed property as its 'antithesis'.

[109] *Grundrisse*, pp.278-79.

5. *The real function of the threefold division*

It is clear that what Marx is basically discussing here is the construction of his work, the question of the order in which the categories which express the class structure of bourgeois society, namely capital, landed property and wage-labour, should be presented. The answer which emerges from the analysis of the mutual relation of these categories is as follows: the category of capital, as the decisive, all-prevailing and ruling relation of bourgeois society must be elaborated before everything else. This means capital in its pure form, leaving out of consideration all the forms to be derived from the relation of capital itself. Only then can modern landed property be developed insofar as it is a creation of capital, a product of its effect on pre-capitalist economic forms. However wage-labour, although it represents both conceptually and historically the fundamental condition for capital and the capitalist mode of production, requires for its full development the precondition that this mode of production has taken hold of the totality of social relations and transformed even the rural producers into wage-labourers. Consequently, we can only study this category exhaustively after we have studied capital and landed property.

It can be seen, then, that the reasons which Marx had for the threefold division of his inquiry, and for the sequence which was to be observed, do not have the slightest relation to 'external considerations', or the conventional 'factors of production' theory of bourgeois economics. Rather, they are the product of the inner nature of the capitalist mode of production itself, of the historical and logical succession of the categories which constitute it, and which in fact required – at least temporarily – the dismemberment of the object of the analysis, especially at the outset, where 'the essential issue was to grasp the pure, specific economic forms and hence with not joining together things that do not belong together'.[110] Thus Marx then felt obliged not only to disregard the category of landed property in the *Rough Draft* of 1857-58, but also to omit a more detailed examination of the forms of wages in order to work out the concept of capital in its purity.[111] (And so the analysis of ground-rent could follow the analysis

[110] *ibid.* p.732.

[111] Cf. Marx's letter to Engels of 2 April 1858, *Selected Correspondence*, pp.97-98. 'Throughout this section [i.e. the section on "Capital in general"] it is assumed that wages always remain at minimum . . . further, landed property is taken as = 0, that is, landed property as a particular economic relation does not yet concern us. This is the only possible way to avoid dealing with all relations when discussing each particular relation.'

of capital as it does in the final version of Marx's work, being placed at the end of Volume III.) It is in this sense, that is as a provisional, but unavoidable 'blueprint' that the original threefold division of the work into separate books on capital, landed property and wage-labour should be interpreted. Nevertheless, the question remains as to what particular reasons necessitated the later abandonment of this blueprint; but before we tackle this we should clarify the changes which occurred in the original outline of Part I of the work, namely the *Book on Capital.*

B. The *Book on Capital*

1. *The original subdivision of the 'Book on Capital'*

According to the outline of 1857-58 the book should have been divided into the following sections:[112]

a) Section on 'capital in general'.
   1. Production process of capital
   2. Circulation process of capital
   3. Profit and interest.
b) Section on competition.
c) Section on the credit system.
d) Section on share-capital.

Of this, only the first section was carried out in the shape of the *Rough Draft* (1857-58), which was confined, as we have already said, to the analysis of 'capital in general', in contrast to his later work. As far as the remaining sections were concerned i.e. b), c) and d), a similar process occurred to the one we were able to establish in the case of Books II and II. That is, they were indeed dropped as independent sections, but at the same time their contents were incorporated into the new structure of the work. Here, too, a narrowing down of the original scheme took place, but this corresponded to a broadening of the first part, i.e. the section on 'capital in general'. Since, whereas

[112] In the changes to the outline on pages 264 and 275 of the *Grundrisse* there is another breakdown of the *Book on Capital* into six sections, which – besides the earlier four sections – contains 'Capital as money market' as the fifth, and 'Capital as the source of wealth' as the sixth. However, these last two subjects could have been equally well dealt with in sections c) and d), which probably explains why they are not mentioned in later changes.

Moreover, it is precisely these two variations which reveal how 'Hegelian' the structure of the *Rough Draft* is!

the first two volumes of *Capital* do not fundamentally go beyond the analysis of 'capital in general', the third volume is the place where competition, credit and share-capital are introduced, in the originally envisaged order, even if not quite as extensively as Marx had intended at the outset. This also shows that the original strict separation of the categories was simply a means of methodological abstraction, and could therefore be discarded as soon as the main task – the analysis of 'capital in general' – had been carried out. This is, therefore, the category which is most important to understand, and upon which we now concentrate our attention.

2. *'Capital in general' and 'many capitals'*

As we already know, the *Rough Draft* not only excludes, in principle, all the themes which came under the scope of the original Books II-VI, but also those which were to have been looked at in Sections b) – d) of the first Book.[113] From the outset Marx wishes to deal with 'capital in general'. But what does this concept mean? What level of abstraction does it represent?

To begin with we shall content ourselves with the answer to be found in Marx's letter to Kugelmann of 28 December 1862. It says there that the restriction to 'capital in general' excludes a study of the competition of capitals and the credit system.[114] Competition involves the 'action of capital upon capital', which presupposes a multiplicity of capitals; whereas with credit, 'capital appears in relation to the individual capitals as a general element'.[115] In both cases the issue is one of the real movement of real capitals – capital in concrete reality, and not in some 'ideal average'.[116] We read in the

[113] We say in principle because the *Rough Draft* contains many digressions which go beyond the framework of 'capital in general', and which fit into other parts of Marx's work, according to their content. Cf. Marx's letter to Engels of 31 May 1858: 'The devil is namely that everything is completely higgledy-piggledy in the manuscript (which would be a thick volume when printed), and there is a great deal which is actually intended for parts which come much later.' (*MEW* Vol.29, p.330.)

[114] 'The second part is finally completed . . . it is the continuation of Notebook I [i.e. the *Contribution*] but is published independently under the title *Capital* . . . In fact it only embraces what was to have made up the third chapter of the first section, namely capital in general. Hence competition and credit are not included.' (*MEW* Vol.30, p.639.)

[115] Marx's letter to Engels of 2 April 1858, *Selected Correspondence*, p.97.

[116] Likewise, in the *Theories*, competition and credit are often contrasted with 'capital in general' or the 'general nature of capital' as the 'real movement of capital' and as 'concrete relations'. (cf. *Theories* II, pp.492, 510-11, 529: III, pp.53, 311, 465.)

Rough Draft that 'Capital exists and can only exist as many capitals and its self-determination therefore appears as the mutual interaction of these upon one another', it is (note the repeated echoes of Hegel's terminology) by its essence, 'that which repels itself from itself', and must therefore necessarily 'repel itself from itself'.[117] Therefore, production based on capital, 'posits itself only in its adequate forms, insofar as and to the extent that free competition develops'.[118] Of course, 'as long as capital is weak it still relies on the crutches of past modes of production, or those that pass away with its appearance'. However, 'as soon as it begins to sense itself and become conscious of itself as a barrier to development it seeks refuge in forms which, by restricting competition, seem to make the rule of capital more complete, but which are at the same time, the heralds of its dissolution and that of the mode of production resting on it.'[119] In its heyday, however, the rule of capital can only be made real in and through competition.

Marx says that bourgeois economics has 'never understood' this positive aspect of competition. In fact, free competition has only been understood, 'in a negative way; i.e. as the negation of monopolies, corporations, legal regulations'. But competition 'is very far from having only this historical significance, or being merely a negative force'. It is simultaneously 'the relation of capital to itself as another capital, i.e. the real behaviour of capital as capital' and, through it, 'what corresponds to the concept of capital is posited as an external necessity for the individual capital'. Hence, conceptually, competition is, 'none other than the inner nature of capital appearing and realised as the interaction of many capitals', which 'force the inherent determinants of capital upon one another, and upon themselves'.[120] As such, competition is the 'essential locomotive force of the bourge-

[117] *Grundrisse*, pp.414, 421: 'Since value forms the foundation of capital, and since it therefore necessarily exists only through exchange for counter-value, it thus necessarily repels itself from itself. A universal capital, one without alien capitals confronting it, with which it exchanges – is therefore a non-thing. The reciprocal repulsion between capitals is already contained in capital as realised exchange-value.' Hence 'state capitalism' would only be possible with several capitals, organised by the state, confronting each other.

[118] *ibid.* p.650.

[119] *ibid.* p.651. Here, as early as 1857 Marx predicts the form of monopoly capitalism. (This could be called a 'vision'; we prefer the less mystical 'dialectic'.)

[120] *ibid.* pp.650-51, 414. 'Generally competition is the means by which capital carries through its mode of production.' (*ibid.* p.730.)

ois economy', even though it does not produce its laws, but only realises them, even if it cannot explain them, but merely renders them visible.[121] So nothing could be more incorrect than to confuse the analysis of these laws with the analysis of competition, or of the relations of credit which presuppose competition. To understand the forms of appearance we first have to examine what appears in these forms. This is particularly important because everything in competition is presented, and must be presented,[122] in an inverted form (not price determined by labour, but labour by price etc.), so that in it capital appears to 'determine price, give work, regulate production', in a word, to be the 'source of production'.[123] Thus in order to be able to inquire directly into the inherent laws of capital we must abstract from competition and its accompanying characteristics, and begin with 'capital as such', or 'capital in general'. 'The introduction of many capitals must not interfere with the investigation here. The relation of the many is better explained after we have studied what they all have in common, the quality of being capital.'[124]

However, what are the characteristics which all capitals have in common? Quite clearly, they are those which apply to capital, and not to any other forms of wealth, and in which the particular historical character of the capitalist mode of production is expressed.

The Classical Economists (here Marx has Smith in mind) often saw capital as 'accumulated (objectified) labour' which 'serves as a means to new labour'. However, 'it is just as impossible to make the transition directly from labour to capital as it is to go from the different human races to the banker, or from nature to the steam-engine – to develop the concept[125] it is necessary to begin not with labour, but with value, and precisely, with exchange-value already developed in the movement of circulation.'[126] One such exchange-value is money, to the extent that it neither functions simply as a means of

[121] *ibid.* p.552. (Cf. the excellent explanation in Grossmann's *Das Akkumulations- und Zusammenbruchsgesetz*, pp.96-99.)

[122] 'So as to impose the inherent laws of capital upon it as an external necessity, competition seemingly turns all of them over. Inverts them.' (*Grundrisse*, p.761.) Cf. *Capital* III, pp.45, 209, 225 etc.

[123] *Grundrisse*, p.275.

[124] *ibid.* p.517.

[125] 'For the whole of capitalist production is based on the fact that labour is bought directly so that a part of it can be appropriated without purchase in the prices of production; which part is sold however in the product – since this is the basis of existence of capital, its very essence . . .' (*Theories* I, p.293.)

[126] *Grundrisse*, p.259. Cf. Chapter II of Section III of this work, where this argument is dealt with in more detail.

exchange nor petrifies into a hoard, but rather maintains and multiplies itself in circulation through the mediation of alien labour. Thus, the first distinguishing feature of capital, as distinct from mere value or money, is that it is a value 'which breeds surplus-value', and that it rests on a particular historically determined relation – the relation of wage-labour. Admittedly, 'many things are subsumed under capital which do not seem to belong with it conceptually. Capital is lent, for example. It is stockpiled etc. In all these designations it seems to be a mere thing, and to coincide entirely with the material in which it is present.'[127] However, we are dealing here 'neither with a particular form of capital, nor with one individual capital as distinct from other individual capitals etc. We are witness to the process of its becoming.[128] This dialectical process of its becoming is only the ideal expression of the real movement through which capital comes into being.[129] The later relations are to be regarded as a development from this germ.'[130]

What all capitals have in common is their capacity for expanding their value (*Verwertungseigenschaft*) – the fact that they appropriate (directly or indirectly) the surplus-value created in the capitalist production process. The analysis of 'capital in general' must, therefore, begin with the investigation of the production process. This must show how money, 'goes beyond its simple quality of being money' and becomes capital, how it then produces surplus-value through the consumption of human labour and finally how the production of surplus-value for its part, leads to the reproduction of both capital and the relation of capital itself. All this can be developed without our having to pay attention to the presence of several capitals and the differences between them, for regardless of how the different individual capitals divide the surplus-value created in the production process, they cannot 'distribute more than the total

[127] *Grundrisse*, p.513.

[128] Accordingly the real object of analysis of the *Rough Draft* is referred to in many places as the 'general history of the rise of capital', its 'self-determination' or 'self-formation'. (*ibid.* pp.403, 414, 529.)

[129] 'Since we speak here of capital as such, capital in the process of becoming, we are not yet concerned with anything else in addition – in that many capitals are not yet present for us – nothing but it itself and simple circulation . . .' (*ibid.* p.729.) In the *Rough Draft* (and also in *Capital* and the *Theories*) capital in its becoming is contrasted to capital which has become, which is complete, in the sense that it is capital 'as it appears as a whole, as the unity of the circulation and production process' (*Theories* III, p.483; *Theories* II, p.513), or the 'finished form of capital'. (*Capital* III, p.209.)

[130] *Grundrisse*, p.310.

surplus-product among themselves'.[131] This cannot explain, but only obscure, the emergence of surplus-value; because in the form of profit surplus-value appears to be produced in equal amounts by all sections of capital, and capital itself appears 'as the source of wealth, independent of labour'.[132] So if the basic presupposition of the capital relation is to be understood, i.e. the relation of capital to labour and the role of surplus-value as the driving force of capitalist production, we must begin not with 'many capitals', but with capital or 'capital in the whole society'[133] i.e. with 'capital in general'. Only then is the real development of the concept of capital possible.

However, the life-cycle of capital is not confined to the direct production process. In order for capital to renew itself the product of capital, including surplus-value, must 'be transformed into money, not as in earlier stages of production where exchange is in no way concerned with production in its totality, but only with superfluous production and superfluous products'.[134] The phase of the production process must be complemented by that of the circulation process. And so the movement of capital becomes a circuit in which forms grow (fixed and circulating), which harden into specific forms of the existence of capital from being temporary determinations of it. In addition these forms are to be understood as distinctions within the abstraction 'capital in general' ('particularisation of capital'[135]), because they 'characterise every kind of capital',[136] and must therefore be understood without regard to the reciprocal action of 'many capitals'. On the other hand, capital's passage through the different phases of circulation appears 'as a restriction on production through the specific nature of the barriers posited by capital itself'. Circulation takes time, and during this time capital is unable to create any surplus-value. The expansion of its value (*Verwertung*) does not depend only on the length of time (labour-time) in which capital (*sic*!) creates values, but equally on the period of circulation in which these values are realised.[137]

[131] Cf. *ibid.* p.684. 'The profit of the capitalists as a class or the profit of capital as such must exist before it can be distributed . . .'

[132] *ibid.* p.759.

[133] 'We are concerned here with capital as such, say the capital of the whole society. The differentiation of capital does not concern us yet.' (*ibid.* p.346.)

[134] *ibid.* p.406.

[135] *ibid.* p.275. Similarly the concept of 'particularisation' is a specifically Hegelian one (in the same way that Marx's use of such terms as 'universality', 'particularity' and 'individuality' are based on Hegel's *Logic*).

[136] *Grundrisse*, p.449.

[137] *ibid.* p.627.

Accordingly, the surplus-value of capital 'no longer appears to be simply determined by the surplus labour appropriated by it in the production process'. It is no longer measured by its real standard, 'the ratio of surplus to necessary labour', but by the size of the capital itself. 'One capital of a certain value produces in a certain period of time a certain surplus-value.'[138]

Thus, surplus-value now assumes the transformed and derived form of profit, and the rate of surplus-value takes on the form of the rate of profit. (With this we come to the final, third section of the *Rough Draft*.) The only requirement is that the aggregate profit of the capitalist class has to coincide with the aggregate surplus-value appropriated by that class.[139] On the other hand, individual capitalists can pocket either more or less than the surplus-value which would correspond to what has been created in their own production process. Marx does not refer to this question in the *Rough Draft* until the 'study of many capitals', as the establishment of a general rate of profit and the transformation of values into prices of production which corresponds to it, presuppose competition and hence occur at a level which is excluded from the study of 'capital in general', according to Marx's original outline.[140]

It must be evident here that in the sentences we have just quoted Marx is already speaking about the capital of the entire capitalist class, the 'aggregate social capital' – in contrast to particular individual capitals.

However, what is the significance of this concept in Marx's methodology? This can be discovered in a very important marginal comment in the *Rough Draft*. We read there: '*Capital in general*, as distinct from particular capitals, does indeed appear 1) *only as an abstraction*; not an arbitrary abstraction, but one which grasps the specific differences which distinguish capital from other forms of wealth . . . These are the features common to each capital as such or which make every specific sum of values into capital. And the distinctions within this abstraction are likewise abstract particularities which characterise every kind of capital, in that it is either their position or negation (e.g. fixed or circulating capital); 2) however, capital in general, as distinct from particular real capitals, is itself a real existence. This is recognised by ordinary economics, even if it is not understood, and constitutes a very important moment in its theory of equilibrations. For example, capital in this general form,

[138] *ibid.* p.746.

[139] *ibid.* pp.787-88.

[140] *ibid.* pp.759-60.

although belonging to individual capitalists . . . forms the capital which accumulates in the banks or is distributed through them, and as Ricardo says, [141] distributes itself so admirably in accordance with the needs of production. Similarly, through loans etc. it forms one level between different countries[142] . . . therefore while the general is on the one hand only a conceived mark of distinction it is at the same time a particular real form alongside the form of the particular and individual.' (Marx adds, 'We will return later to this point, which, while having more of a logical than an economic character, will nonetheless have great importance in our inquiry. The same also in algebra. For example, a,b,c are numbers as such, in general; but then again they are whole numbers as opposed to a/b, b/c, c/b, c/a, b/a etc., the latter however presupposing the former as their general elements.'[143])

And, in another part of the *Rough Draft*, Marx says, 'To examine capital in general is no mere abstraction. If I regard the total capital of, for example, a nation, as distinct from total wage-labour (or landed property), or if I regard capital as the general economic basis of a class as distinct from another class, then I regard it in general. Just as when I look at man physiologically, for example, as distinct from the animals.'[144]

The extraordinary importance of these marginal notes by Marx is immediately obvious. As an example we can take his treatment of the 'Reproduction and Circulation of the Aggregate Social Capital' in Volume II of *Capital*. It states here on the 'Circuit of commodity-capital': 'But just because the circuit C′ . . . C′ presupposes within its sphere the existence of other industrial capital in the form of C(equal to L+MP) . . . it clamours not only to be considered the general form of the circuit i.e. not only as a social form in which every single industrial capital . . . can be studied, hence not merely as a form of movement common to all individual industrial capitals, but simultaneously also as a form of movement of the sum of the individual capitals, consequently of the aggregate capital of the capitalist class –

[141] See e.g. D. Ricardo, *Principles of Political Economy*, 1971, p.152.

[142] Marx continues here: 'If it is therefore e.g. a law of capital in general that, in order to realise itself it must posit itself doubly, and must realise itself in this double form, then, e.g. capital of a particular country which represents capital par excellence in antithesis to another, will have to lend itself out to a third country in order to be able to realise itself.' And Marx adds, 'this double positing, this relating to self as an alien, becomes damned real in this case'. (*Grundrisse* pp.449-50.)

[143] *ibid.* p.450.

[144] *ibid.* p.852.

a movement in which that of each individual industrial capital appears as only a partial movement which intermingles with the other movements and is necessitated by them. For instance, if we look at the aggregate of commodities annually produced in a certain country and analyse the movement by which a part of it replaces the productive capital in all individual businesses, while another part enters into the individual consumption of the various classes, then we consider C′ . . . C′ as a form of movement of the social capital as well as of the surplus-value or surplus-product generated by it. The fact that the social capital is equal to the sum of the individual capitals . . . and that the aggregate movement of the social capital is equal to the algebraic sum of the movements of the individual capitals, does not in any way exclude the possibility that this movement as the movement of a single individual capital may present other phenomena than the same movement does when considered from the point of view of a part of the aggregate movement of social capital, hence in its interconnection with the movements of its other parts, and that the movement simultaneously solves problems the solution of which must be assumed when studying the circuit of a separate individual capital instead of being the result of such a study.'[145]

From this perspective the individual capitals are to be regarded simply as 'fragments' (*Bruchstücke*) of social capital, 'whose movement, as well the movement of individual capitals, is at the same time an integrating link in the movement of aggregate capital', which – although only the sum of individual capitals – exhibits a character different from that of the capital of each individual capitalist.[146] The 'aggregate capital of society' is therefore to be understood as a whole, as a real 'existence distinct from particular real capitals'. The same applies (as the marginal note shows) in Marx's study of credit: 'Here [in the money-market], in its supply and demand, capital steps forth in reality and emphatically *as being in itself, the common capital of a class*, something which, in the case of industrial capital, only occurs in the course of movement and competition between the individual spheres.'[147] Credit is therefore seen by Marx as a 'form in which capital tries to posit itself as distinct from individual capitals, or the individual capital as distinct from its quantitative barrier'.[148] However, the real character of aggregate social capital is demonstrated most

[145] *Capital* II, pp.99-100.

[146] *ibid.* pp.397ff.

[147] *ibid.* III, p.368.

[148] *Grundrisse*, p.659.

clearly in share-capital: 'In [this] form capital has worked itself up to its final form, in which it is posited, not only *in itself*, in its substance, but is posited also in its form as social power and product.'[149]

So much on the 'general concept of capital' – as distinct from the study of the 'concrete relations'[150] i.e. 'capital in its reality'.[151] As we have already said, this concept, for Marx, is simply an abstract and dialectical *image* 'of the real movement, by which capital *becomes*'. It follows from this that 'what comes later is already contained' in the general concept of capital, in embryonic form. That is, not only the 'civilising' and progressive tendencies, but also the contradictions which lead out beyond its limits.[152] (There are numerous examples to be found in the *Rough Draft*; we refer here only to the development of machinery,[153] the credit system and the realisation problem[154]). However, on the other hand, 'all moments of capital, which appear involved in it when it is considered from the point of view of its general concept, obtain an independent reality and further, only show themselves, when it appears as real, as many capitals. The inner living organisation, which takes place in this way within

[149] *ibid.* p.530. We should note here that the contrast of 'in itself' and 'posited existence' is also taken from Hegel's *Logic*.

[150] Cf. *Capital* II, p.461; III, pp.25, 110, 113.

[151] The distinction between the two methods of study is illustrated in the following example. 'Capitals have different sizes. But the size of each individual capital is equal to itself, hence, insofar as only its quality as capital is concerned, any size. But if we examine two capitals in comparison to each other, then the difference in their sizes introduces a relation of a qualitative character. Size itself becomes a distinguishing quality. This is an essential aspect, of which size is only one single instance, of how the study of capital as such differs from the study of one capital in relation to another capital, or the study of capital in its reality.' (*Grundrisse*, pp.684-85.)

[152] 'The simple concept of capital has to contain its civilising tendencies etc. in themselves; they must not as in the economics books up to now, appear merely as external consequences. Likewise the contradictions which are later released, demonstrated as latent within it.' (*ibid.* p.414.) Cf *ibid.* p.331. 'The exact development of the concept of capital is necessary since it is the fundamental concept of modern economics, just as capital itself, whose abstract reflected image is its concept, is the foundation of bourgeois society. The sharp formulation of the basic presuppositions of the relation must bring out all the contradictions of bourgeois production, as well as the boundary where it drives beyond itself.'

[153] 'It is easy to develop the introduction of machinery out of competition and out of the law of the reduction of production costs which is triggered by competition. We are concerned here with developing it out of the relation of capital to living labour, without reference to other capitals.' (*ibid.* pp.776-77.)

[154] 'The antithesis of labour-time and circulation time contains the entire doctrine of credit . . .' (*ibid.* p.660.)

and through competition, thus develops all the more extensively.'[155] In particular, 'the simultaneity of the different orbits of capital, like that of its different aspects, becomes clear only after many capitals are presupposed. Similarly the course of human life consists of passing through different ages. But at the same time all ages exist side by side, distributed among different individuals.'[156]

3. *The structural relation of 'the Rough Draft' to 'Capital'*

Those readers who are acquainted with the contents of Marx's *Capital* will of course appreciate the importance of these extracts from the *Rough Draft*, for what Marx wrote here in 1857-58 in fact also turns out to be the programme for the later work. Like the *Rough Draft*, Volumes I and II of *Capital* are restricted to the 'abstract study of the phenomenon of the formation of capital',[157] or the analysis of the process of circulation and reproduction 'in its fundamental form', where it is 'reduced to its most abstract expression',[158] that is, to 'capital in general'. (Hence the assumption made throughout that commodities are sold at their values.[159]) The real methodological difference first emerges in Volume III of *Capital*. When the *Rough Draft* speaks of profit, the general rate of profit, and its tendency to fall, this is still a question of 'profit in general', the 'profit of the capitalist class', but not the profit of 'one individual capital at the expense of another'.[160] The study of the latter (i.e. primarily the transformation of values into prices of production, and the

On the subject of realisation; *ibid.* p.447. Cf. *Theories* II, p.493: 'As we have already found in the study of money . . . namely that it includes the possibility of crises, this emerges even more in the study of the general nature of capital, without having to develop the further real relations, which constitute all the presuppositions of the real production process.'

[155] *Grundrisse*, p.520.

[156] *ibid.* p.639. Cf. *ibid.* p.661: 'The simultaneity of the process of capital in different phases of the process is possible only through its division and break up into parts each of which is capital, but capital in a different aspect. This change of form and matter is like that in the organic body. For example, if one says the body reproduces itself in 24 hours, this does not mean it does it all at once, but rather the shedding in one form and the removal in another is distributed, and takes places simultaneously . . . (Here then the transition to many capitals).'

[157] Cf. *Capital* I, p.269 (166).

[158] *Capital* II, pp.461, 510.

[159] 'Study of capital in general in which the prices of commodities are assumed to be identical with the values of commodities.' (*Theories* II, p.515.)

[160] *Grundrisse*, p.767.

division of surplus-value into business profit, interest etc.) goes beyond the context of 'capital in general'. However, Volume III of *Capital* 'progressively approaches the form' in which 'the forms of capital appear on the surface of society, in the action of the different capitals upon one another, in competition, and in the everyday consciousness of the agents of production'.[161] At this point the limits of 'capital in general' – as the concept had been elaborated by Marx in the *Rough Draft* – are far exceeded. Problems can now be dealt with, which could only be hinted at in the earlier stages of the inquiry[162] – problems whose solution only becomes possible if we proceed from the 'final pattern of economic relations, as it appears on the surface . . . to its inner, basic but hidden essential structure, and the conception corresponding to it'.[163]

We therefore consider that the categories of 'capital in general' and 'many capitals' provide the key to the understanding of not only the *Rough Draft*, but also the later work, i.e. *Capital*. One should not of course exaggerate the structural similarity of the two works. It should not be overlooked that the later reorganisation of the original *Book on Capital* led, and had to lead, to a certain change in the use of the concepts which underlay this book, and that therefore the meaning which these concepts have in *Capital* does not always coincide with the one we have encountered in the *Rough Draft*.

It is of course true that in *Capital*, as in the *Rough Draft*, the 'real inner movement' of capitalist production is constantly contrasted with its 'apparent' movement displayed in competition. And similarly the Hegelian distinction between 'essence' and 'appearance' is consistently employed.[164] We read in Volume I: 'The general and necessary tendencies of capital are to be distinguished from the forms of their appearance . . . the way in which the immanent laws of capitalist production manifest themselves in the external movement of the individual capitals, assert themselves as the coercive laws of competition . . . does not have to be considered here . . . but this much is clear: a scientific analysis of competition is possible only if

[161] *Capital* III, p.25.

[162] One example of this is the definition of the concept of 'socially necessary labour', which – as with the definition of accumulation – was only looked at 'abstractly, as one aspect of the immediate process of production', (*Capital* I, p.710 (565), and which could only be developed further from the standpoint of the 'concrete conditions' in Volume III (see the next chapter for a more detailed discussion).

[163] *Capital* III, p.209. (The concept is only an image of the 'hidden essential structure' i.e. the actual prevailing social relations.)

[164] Cf. Lukacs, *History and Class Consciousness*, p.7, n.9.

we can grasp the inner nature of capital, just as the apparent motions of the heavenly bodies are intelligible only to someone who is acquainted with the real motions, which are not perceptible to the senses.'[165] Similarly in Chapter VI of Volume III: 'The phenomena analysed in this chapter require for their full development the credit system and competition on the world market . . . these more concrete forms of capitalist production can only be comprehensively presented, however, after the general nature of capital is understood.'[166] In fact, all these efforts would not be necessary, 'if the appearance and the essence of things directly coincided';[167] but then 'all science would be . . . superfluous'. Since this is not the case, scientific investigation must proceed from the 'surface appearances' to the 'inner essence', the 'essential structure' of the economic process in order to be able to discover the 'law of appearances',[168] and to understand that this appearance itself is necessary.[169] As far as this aspect is concerned the methodological orientation of *Capital* is no different from that of the *Rough Draft*. The difference lies elsewhere: namely, that in *Capital* Marx regards that part of his inquiry which 'progressively approaches the surface forms in competition' (i.e. Volume III) as also belonging to the 'general analysis of capital'. Hence the scope of the latter analysis expands, and the framework of the analysis of competition is narrowed down.[170] This is proof that the distinction between 'capital in general' and 'many capitals', which forms the basis of the *Rough Draft*, also represents, first and foremost, a 'blue-

[165] *Capital* I, p.433 (316).

[166] *Capital* III, p.110. 'In a general analysis of this kind it is usually always assumed that the actual conditions correspond to their conception, or, what is the same, that actual conditions are represented only to the extent that they are typical of their general case.' (cf. in addition p.831.) 'We leave this outside our scope, and we need present only the inner organisation of the capitalist mode of production, in its ideal average as it were.'

[167] *ibid.* p.817. (Cf. Marx's letter to Engels of 27 June 1867, *Selected Correspondence*, pp.178-79, and to Kugelmann of 11 July 1868, *ibid.* pp.195-97.)

[168] *Capital* I, p.421 (307).

[169] Marx says in one of his notebooks from 1851, on the subject of Ricardo's view of competition that Ricardo 'abstracts from what he considers to be accidental. Another is to present the real process, in which both what he regards as accidental movement, but which is constant and real, and its law, the average relation, appear as equally fundamental'. (*Grundrisse*, German edn. p.803. Cf. *MEGA* III, pp.530-31.)

[170] In contrast to the *Rough Draft*, in *Capital* the field of the 'theory of competition' is confined to the analysis of the 'real movement of market prices' (in antithesis to prices of production), and the study of competitive struggles on the world market. See *Capital* III, pp.110, 235, 764, 831.

print', without which Marx's economic system could never have developed, but which – like any working hypothesis – can only lay claim to full validity within specified limits.

V. THE SCOPE OF AND PROBABLE EXPLANATION FOR THE CHANGE IN THE OUTLINE

What, then, are the results of our inquiry? In other words: what does the change consist in, and how can it be explained?

The first question is not difficult to answer (see the schema at the end of this chapter). We believe that we can conclude from our examination of the *Capital* manuscripts that the last three books of the six originally planned were never definitely 'abandoned' by Marx, but rather destined for the 'eventual continuation' of the work. So the real change in the outline only relates to Books I-III; it consists in the fact that the second book (on landed property) was embodied in Volume III of the final work, while the material for the third book (on wage-labour) was incorporated in the last section but one of Volume I. However, in the case of the *Book on Capital*, i.e. Part I of the original outline, a regrouping took place in the sense that Sections b)–d) of this book were absorbed into Volume III of *Capital* in the same order, while the first two volumes of the work correspond almost completely to Section a) of the original *Book on Capital*. That is, they are confined to the analysis of 'capital in general'.

It is true of course that what has been said here only relates to the outward regrouping of the material dealt with in Marx's system. What motives lay behind it?

One thing is certain. They are not the reasons suggested by Grossmann and Behrens! Rather, the change in the outline can be explained by reasons already touched upon in the course of this analysis; namely, that once Marx had accomplished the most fundamental part of his task – the analysis of industrial capital – the former structure of the work, which had served as a means of self-clarification, became superfluous. The *Rough Draft* itself provides an important pointer here because, although this manuscript was drafted entirely in accordance with the intentions of the original outline, none of the basic lines of thought which Marx later developed in Volumes I and II of *Capital* are missing – with the exception of the chapter on the wage and its forms. (We refer here to the sections of the outline dealing with the production and circulation process.) This shows that the entire analysis of the production and circulation process of capital could have been carried out without going into any

of the topics envisaged for the proposed book on wage-labour and landed property. All that this analysis presupposed was the existence of the relation of wage-labour – but this coincides, conceptually, with that of capital itself. Everything else could, and had to be disregarded in the first instance so that the category of capital could be elaborated in its pure form.[171] In this respect the strict separation of the areas of the inquiry, which formed the basis of the original outline, was maintained throughout. However, what was initially useful and necessary eventually had to turn out to be a superfluous and obstructive limitation. (All the more so as adhering to this separation would have had to lead to the constant repetition of what had already been presented.) The blueprint had served its purpose and could therefore be dropped in the further stages of the analysis, without leading to any fundamental changes in the results which had already been obtained. This meant that the separate books on landed property, and wage-labour could be given up, with their essential parts incorporated into the new work which only dealt with 'capital'. Both are to be found there, where they properly belong; the *Book on Landed Property* in Volume III, because the real theoretical problem of ground-rent could only be solved at this stage of the analysis, as a continuation of the already completed analysis of industrial capital, and its 'secondary' and 'derived'[172] forms.[173] In contrast, the *Book on Wage-Labour* goes directly into the analysis of the production process of capital, i.e. into Volume I – in order to create one of the necessary 'links' between the value-theory in Volume I and the theory of prices of production developed in Volume III, by means of an

[171] Cf. *Grundrisse*, p.817. 'The fixed definitions become themselves fluid in the further course of development. But only by holding them fast at the beginning is their development possible without confounding everything.'

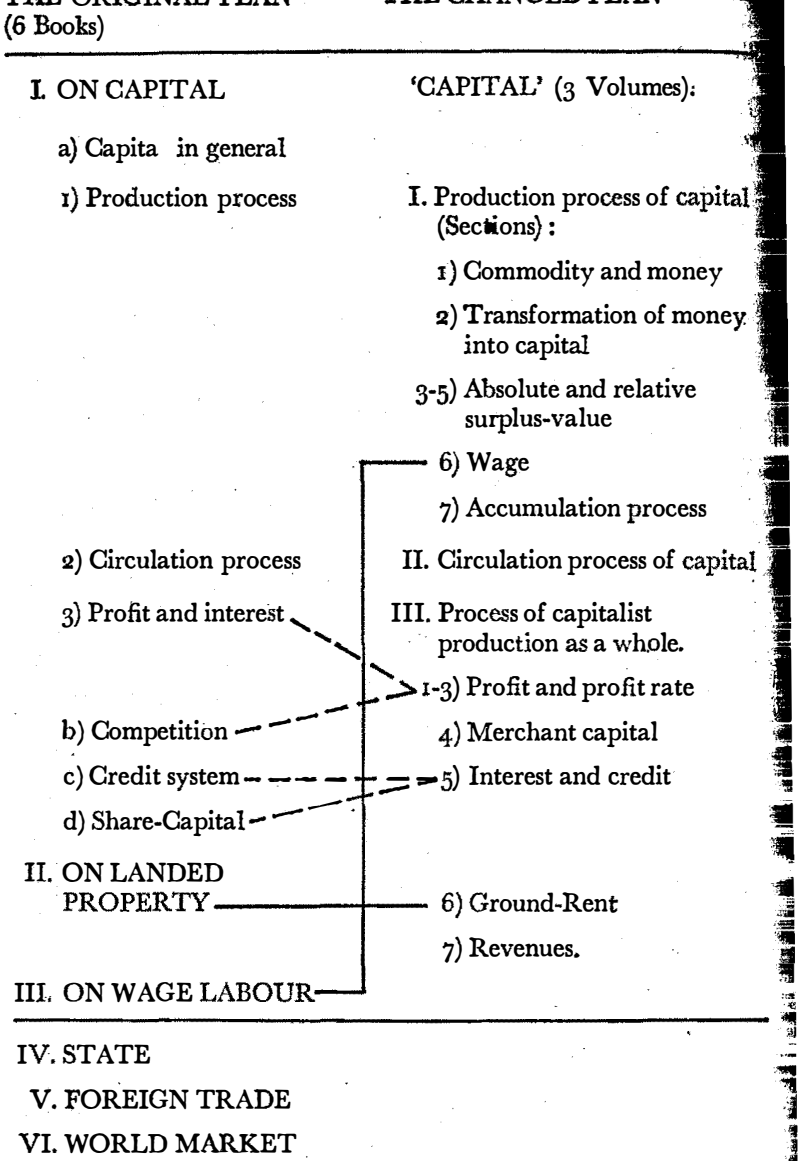
[172] 'Industrial capital, which is the basic form of the relation of capital, as it rules bourgeois society and from which all other forms only appears as secondary or derived – derived, like interest-bearing capital; secondary, i.e. as capital in a particular function (which belongs to its circulation process) such as commercial . . .' (*Theories* III, p.468.)

[173] We read in Chapter XLIV of Volume III of *Capital*: 'We must clarify in our minds wherein lies the real difficulty in analysing ground-rent from the viewpoint of modern economics . . . the difficulty is not to explain the surplus-product produced by agricultural capital and its corresponding surplus-value in general. This question is solved in the analysis of the surplus-value produced by all productive capital in whatever sphere it may be invested. The difficulty consists rather in showing the source of the excess of surplus-value paid the landlord by capital invested in land in the form of rent, after equalisation of the surplus-value to the average profit among the various capitals, after the various capitals have shared in the total surplus-value produced by the social capital in all spheres of production . . .' (*Capital* III, p.782.)

analysis of the category of the wage and its forms. (This last point will be dealt with in more detail in the appendix to this chapter, devoted to the *Book on Wage-Labour*.)

List of draft outlines and outline notes considered by the author, which relate to the structure of Marx's work.

1)	September	1857	*Grundrisse*, p.108
2)	October	1857	*Grundrisse*, pp.227-228
3)	November	1857	*Grundrisse*, p.264
4)	November	1857	*Grundrisse*, p.275
5)	February	1858	Letter to Lassalle 22 February 1858, *Selected Correspondence*, p.96.
6)	April	1858	Letter to Engels 2 April 1858, *ibid.* pp.97-98
7)	June	1858	*Grundrisse*, German edn., pp.855-859
8)	January	1859	*Contribution*, p.19
9)	February-March	1859	*Grundrisse*, German edn., pp.969-978
10)	December	1862	Letter to Kugelmann 28 December 1862, *MEW* Vol. 30
11)	January	1863	*Theories* I, p.414-416
12)	July	1865	Letter to Engels 31 July 1865, *MEW* Vol. 31
13)	October	1866	Letter to Kugelmann 13 October 1866, *ibid.*
14)	April	1868	Letter to Engels 30 April 1868, *Selected Correspondence*, p.191-195



Unbroken lines: changes within the first three books
Dotted line: changes within the *Book on Capital*.

Appendix I.

The Book on Wage-Labour

1. Themes which were to have been included in the book

One thing which should be noted from the outset is that we cannot say exactly which themes were to have come under the scope of the *Book on Wage-Labour*, as we have no precise information on this subject. We are dependent chiefly on a comparison of the *Rough Draft* with the later work. Thus, as already mentioned, there is no analysis of the wage in the *Rough Draft*; in addition it also lacks any material dealing with the length of the working day, the exploitative practices of capital, and factory legislation, which Marx treated in such detail in Volume I of *Capital*. According to the original outline all this was to have been analysed in the *Book on Wage-labour*. We can find numerous remarks throughout the *Rough Draft* and Marx's later manuscripts which prove that this assumption is not an arbitrary one.

The task of the 'Theory of Wage-Labour' is defined in the *Contribution* in the following way: 'Given labour-time as the intrinsic measure of value, how are wages to be determined on this basis.'[1] In other words: in general the amount of value, which the worker receives in exchange with capital, is measured by the objectified labour which is necessary to reproduce the worker's capacity to work, that is to physically maintain himself and his offspring. However, how the 'more or less' which the worker actually receives as wages is determined 'is of such little relevance to the general relation that it cannot be developed from the latter as such'.[2] The 'real movement of wages' depends rather on laws which rule in the labour market (as distinct from the market for commodities[3]), whose analysis has to be reserved for a separate theory of wage-labour.[4]

[1] *Contribution*, p.62.

[2] *Grundrisse*, p.282.

[3] 'IV. The exchange of a part of the capital for living labour-capacity can be regarded as a particular moment, and must be so regarded, since the labour market is ruled by other laws than the product market etc . . . Moment IV belongs in the section on wages etc.' (*ibid.* p.521.)

[4] Cf. *Theories*. 'A rise or fall in wages can be the consequence of a change in the supply and demand for labour-power or a consequence of a temporary

But let us proceed further: 'The basis for the development of capitalist production is in general that labour-power, as the commodity belonging to the worker, confronts the conditions of labour as commodities maintained in the form of capital, existing independently of the workers . . . The determination of the value of labour-power, as a commodity, is of vital importance . . . It is only on this basis that the difference arises between the value of labour-power and the value which that labour-power creates – a difference which exists with no other commodity, since there is no other commodity whose use-value, and therefore also the use of it, can increase its exchange-value or the exchange-values resulting from it. Therefore the foundation of modern political economy, whose business is the analysis of capitalist production, is the conception of the value of labour-power as something fixed, as a given magnitude, as indeed it is in practice in each particular case.'[5] Marx also uses this premise as a matter of course when he approaches the analysis of capital and the formation of capital; that is, he initially assumes that the 'worker is paid the economically just wage i.e. the wage as determined by the general laws of economics'.[6]

This was the only way in which the laws of the formation of

rise or fall in the price of necessary consumption goods (in comparison to luxuries), changes in which can re-enter through changes in the supply and demand for labour-power, and the increase or fall in wages which this occasions. The extent to which such rises or falls of wages bring about a rise or fall in the rate of profit has as little to do with the general law of the rise or fall of the rate of profit, as the market price of commodities has to do with the determination of their values. This is to be looked at in the Chapter on the real movement of wages.' (This is taken from Kautsky's edition of the *Theories*, where Marx's original text was somewhat re-edited on the grounds of its difficulty.) This question is dealt with in *Capital* Volume III, Chapter XI, 'Effects of General Wage Fluctuations on Prices of Production'.

[5] *Theories* I, p.44. Cf. *Grundrisse*, p.817: 'Besides it is practically sure, that . . . however the standard of necessary labour may differ at various epochs and in various countries . . . at any given time the standard is to be considered and acted upon as a fixed one by capital. To consider those charges themselves belongs together to the chapter treating of wage-labour.'

[6] *Theories* I, p.426. We must, however, remark here that in the *Rough Draft* (and to a certain extent in the *Theories*) Marx tended to regard the 'economically just wage' as being identical with the physically minimum wage. This incorrect view was not corrected until later. (See Engels's note in Marx's *Poverty of Philosophy*, pp.51-52.)

In addition: as a comparison with the original text of the *Theories* shows, Kautsky felt it necessary to erase all the places where Marx refers to the 'minimum wage' and replace them with his own corrections in order not to expose any of Marx's 'weak points'. (The two sections from Kautsky's edition which we have cited must have been left intact due to an oversight.)

surplus-value could be set out in their pure form, without 'bringing in accompanying circumstances which were distracting and foreign to the actual course of development'. Naturally, these 'fixed presuppositions' had to be dropped as soon as the analysis was transferred from general relations to more concrete ones; likewise the assumption of the 'economically just wage', i.e. the sale of labour-power at its value. In concrete reality capital strives to increase its valorisation (*Verwertung*), on the one hand by pushing down wages below the value of labour-power, and on the other by extending the duration of work beyond its normal limits (which amounts to the devaluation of labour-power). Both of these methods[7] were to have first been studied in the *Book on Wage-Labour*. 'It is beside the point here,' it says in the *Rough Draft*, 'that capital, in practice as well as in general tendency, directly employs price as e.g. in the truck system, to defraud necessary labour [i.e. the worker] and reduce it below its measure . . . the contradictions must follow from the general relations themselves and not from the fraud of individual capitalists. The further forms which this assumes in reality belong to the doctrine of wages.'[8] For the same reason, the 'forcible extension of the working day beyond its natural limits' – which belongs together, among other practices, with night-work and the inclusion of women and children in the work-force – is assigned in the *Rough Draft* to the Chapter on Wage-Labour (alternatively referred to as the 'wage of labour').[9]

In contrast to the slave or serf relation the capacity to work of the free wage-labourer 'appears in its totality as his property, one of his moments, over which he, as subject, exercises domination, and which he maintains by alienating it'.[10] Consequently the share of the worker in his own product assumes the form of the wage. ('If labour did not possess the characteristic of wage-labour, then the manner in which it shares in the products would not appear as wages . . . an individual who participates in production in the form

[7] Such methods are still employed, in all their brutality, in the 'underdeveloped' parts of the capitalist world (for example in Central and South America, Asia and Africa).

[8] *Grundrisse*, p.426.

[9] See the following passages in the *Rough Draft*: 'The working day itself does not recognise daylight as a limit; it can be extended deep into the night; this belongs to the chapter on wages.' (*ibid.* p.336.) And: 'Surplus labour can also be created by means of forcible prolongation of the working day beyond its natural limits; by the addition of women and children to the labouring population . . . but this is mentioned here only in passing, belongs in the chapter on wage-labour.' (*ibid.* p.399.)

[10] Marx adds, 'This to be developed later in wage-labour.' (*ibid.* p.465.)

of wage-labour shares in the products, in the results of production, in the form of wages.'[11] Although it is important to go into the transformed shape which the value of labour-power must already assume in the general analysis of capital, a study of the different forms which the wage itself exhibits appears to be superfluous at the outset. And as we cannot find such an analysis in the *Rough Draft* we can conclude that it was reserved for the *Book on Wage-Labour*. Consequently this would have been the place where Marx first considered the different forms of the wage; in fact not only the two basic forms – time and piece wages[12] – but also such forms of payment as profit-sharing,[13] 'natural wages' etc. In addition, according to the original outline, the determination of the value of so-called personal services was also to have been first examined in the *Book on Wage-Labour*, inasmuch as these services are paid according to the laws of wages proper.[14]

We should also mention in this context that Marx (as already noted)[15] considered examining the laws of the reduction of so-called qualified labour to simple average labour in the *Book on Wage-Labour*. This appears surprising at first sight, especially if one supposes there to be a 'gap' here in Marx's theory of value (as most authors who have written on this question have done). However, Marx had already solved the main problem, namely that of the reduction of different human labours, in their individual and concrete character, to undifferentiated simple average labour. Looked at in this way, the question of the relationship of skilled to unskilled labour simply represents a special case, which is reducible in the final analysis to the question of the 'different value of labour-powers', the study of which, as Marx stressed,[16] could proceed in the section on wage-labour. (We shall see in Chapter 31 of this book how Marx thought this problem could be solved).

[11] *ibid.* p.95.

[12] We read in the *Rough Draft*: 'The piece-work system of payment . . . is only another form of measuring time . . .; it is here, in the examination of the general relations, altogether beside the point.' (*ibid.* p.282.)

[13] 'The recently and complacently advanced demand that the workers should be given a certain share in profits is to be dealt with in the section on wage-labour.' (*ibid.* p.288.)

[14] 'The question of how the value of these services is regulated and how this value itself is determined by the laws governing wages has nothing to do with the examination of the relation we are considering, and belongs to the Chapter on Wages.' (*Theories* I, p.404.)

[15] See p.19.

[16] *Theories* III, p.165.

2. *Why did Marx abandon the separate 'Book on Wage-Labour'?*

So much then for the themes which Marx initially wanted to include within the scope of a book specifically on wage-labour. Most of them were later taken up in Volume I of *Capital*.[17] As can be seen, they are all questions which were irrelevant for the general development of the capital relation in its 'pure' form, and they could therefore be disregarded in the first instance. However, our concern here is not so much to become acquainted with the outlines of Marx's original plan, but rather to discover the reasons which later prompted him to give it up. The further history of the *Book on Wage-Labour* seems to provide some valuable pointers in this respect.

We saw that the proposed outline of 1863 for Section I, published by Kautsky, signified a change in the outline of 1857-58 inasmuch as it contains a separate item on the 'Working Day' which was originally to have been dealt with in the *Book on Wage-Labour*. However, everything seems to indicate that in 1863 Marx was still keeping to his old outline, and consequently to a separate *Book on Wage-Labour*.

The first time that we can confirm that this book was finally abandoned is in Volume I of *Capital*. This is shown by the extensive empirical and historical analyses, which underpin the sections on absolute and relative surplus-value and on the process of accumulation, and which include for the most part themes which, according to the old outline, were not to have been taken up until the *Book on Wage-Labour*. We do not have to stress how much liveliness and persuasiveness these detailed analyses contributed to the presentation of Volume I. However, the essential results of the analysis for this section (as the example of the *Rough Draft* shows) could have been presented without this evidence, as Marx had originally intended.[18] On the other hand what seems much more important is the fact that Marx assimilated the main part of the proposed *Book on Wage-Labour* into Volume I – namely the analysis of the wage and its forms, which was still absent from the 1863 plan. We cannot say when he decided to do this, although it was not before 1864. However, the reasons can be clearly seen in a letter from Marx to Engels of 27 June 1867.

[17] The question of skilled labour and the examination of the 'real movement of wages' were not taken up, the latter for the same reason that Marx had for disregarding the 'real movement of market prices'. (*Capital* III, p.765.)

[18] Cf. Marx's letter to Engels of 10 February 1866. 'I was unable to proceed with the theoretical section proper' [of Volume I. Marx is referring here to his illness]. 'My brain was too weak. Consequently I expanded the section on the "Working Day" in a historical sense, which lay outside the scope of my original plan.' (*MEW* Vol.31, p.174.)

The letter reads, 'How is the value of a commodity transformed into its price of production, in which (1) the whole labour seems to be paid in the form of wages; (2) but surplus labour, or surplus-value, assumes the form of an increase in price, called interest, profit etc., over and above the cost price (equals price of the constant part of capital plus wages)?

The answer to this question presupposes:

1. That the transformation of e.g. the value of a day's labour-power into wages, or the price of a day's labour has been explained. This is done in Chapter 5[19] of this volume . . .' (i.e. Volume I.[20])

Thus, Marx himself states here why he chose to incorporate the analysis of wages and their forms into Volume I (i.e. into the *Book on Capital*, according to the earlier schema), although this was not in line with his original intentions. It was to construct a necessary link to the theory of the prices of production, which was to be presented later in Volume III. And if this does not seem to offer a direct answer to the question of the causes of the change in the outline, then the sudden alterations in the *Book on Wage-Labour* do appear to prove one thing; that the strict separation of the categories of capital and wage-labour, which the old outline envisaged, could only be taken up to a certain point, and then had to be abandoned. This is one more proof that our hypothesis on the change in the outline is the correct one.

[19] This must have been an error on Marx's part (or his handwriting must have been incorrectly deciphered), as the subject mentioned here was in fact dealt with in Chapter 19 of Volume I and not in Chapter 5. We read there: 'The wage form thus extinguishes every trace of the division of the working day into necessary and surplus labour, into paid labour and unpaid labour. All labour appears as paid labour . . . In slave labour, even the part of the working day in which the slave is only replacing the value of his own means of subsistence, in which he therefore actually works for himself alone, appears as labour for his master . . . In wage-labour, on the contrary, even surplus labour or unpaid labour, appears as paid. In one case, the property relation conceals the slave's labour for himself; in the other case the money relation conceals the uncompensated labour of the wage-labourer.' (*Capital* I, p.680 (539-40).) Cf. *Capital* III, p.30 'The capitalist mode of production differs from the mode of production based on slavery, among other things, by the fact that in it the value, and accordingly the price of labour-power, appear as the value or price of labour itself, or as wages.' (Marx thus refers the reader to Chapter XIX.)

[20] *Selected Correspondence*, p.179.

Appendix II.

Methodological Comments on Rosa Luxemburg's Critique of Marx's Schemes of Reproduction

Marxist literature provides numerous references to the incorrectness of Luxemburg's criticism of the schemes of reproduction in Volume II of *Capital*. What is strange, however, is the neglect of the methodological premises which she adopted as the starting-point of her criticism, although this seems to be the most interesting aspect, and the point at which one really should begin.

Luxemburg herself saw two methodological questions as being at the heart of her critique. One: should the processes of the economy be reviewed from the standpoint of individual capital, or from that of aggregate social capital? Two: is this latter method consistent with the abstraction of a society composed solely of capitalists and workers?

Rosa Luxemburg had no doubts about the answer to the first question. We read in her *Anti-Critique*[1]: 'The self-sufficient existence of the individual capital is indeed only an external form, the surface of economic life, which only the Vulgar Economists regard as the essence of things and their sole source of knowledge. Beneath that surface and through all the contradictions of competition there remains the fact that all individual capitals in society form a whole. Their existence and movement are governed by common social laws, which, with the unplanned nature and anarchy of the present system, only assert themselves behind the backs of individual capitalists and in opposition to their consciousness in a roundabout way, and purely through deviations from the norm.'

For this reason Luxemburg considers that any serious theory in the field of political economy must study economic processes 'not from the superficial standpoint of the market, i.e. the individual capitalist, the favourite platform of the Vulgar Economist', but rather

[1] Published in *Imperialism and the Accumulation of Capital*, Luxemburg and Bukharin, London: Allen Lane 1972. Henceforth referred to as the *Anti-Critique*.

from that of 'aggregate capital, i.e. in the final analysis the only correct and appropriate standpoint'.

'This is precisely the standpoint which Marx systematically developed for the first time in Volume II of *Capital*, but on which his entire theory is based.' For only then did Marx succeed in 'extracting from the chaos of contradictions and fumbling attempts of Quesnay, Adam Smith and their poor imitators, for the first time, and with classical clarity, the fundamental distinction between the two categories, individual capital and aggregate capital'. 'Marx's economic theory stands and falls with the concept of aggregate social capital as a real economic magnitude, which finds its tangible expression in aggregate capitalist profit and its distribution, and whose invisible movement initiates all visible movements of individual sums of capital.'[2]

Nevertheless, continues Luxemburg, Marx adhered to the theoretical abstraction of a purely capitalist society not only in Volume I of *Capital*, but also in Volumes II and III. He therefore approached the problem of the 'reproduction and circulation of aggregate social capital' with an assumption which made any genuine solution of this problem impossible. She writes, 'It was at this point that I believed I had to start my critique. The theoretical assumption of a society of capitalists and workers only – which is legitimate for certain aims of the investigation (as in the first Volume of *Capital*, the analysis of individual capital and its practice of exploitation in the factory) – no longer seems adequate when we deal with the accumulation of aggregate social capital. As this represents the real historical process of capitalist development, it seems impossible to me to understand it if one abstracts it from all conditions of historical reality. Capital accumulation as the historical process develops in an environment of various pre-capitalist formations, in a constant political struggle and in reciprocal economic relations.[3] How can one capture this process in a bloodless theoretical fiction which declares the struggle and the relations to be non-existent? Here it seems necessary, in the spirit of marxist theory, to abandon the premise of the first volume, and to carry out the inquiry into accumulation as a total process, involving the material exchange of capital and its historical environment. If

[2] *Anti-Critique*, pp.73, 86, 103.

[3] We should add to this not only capital accumulation, but also the circulation of capital in general. Since, 'Within its process of circulation, in which industrial capital functions either as money or as commodities, the circuit of industrial capital, whether as money-capital or as commodity-capital, crosses the commodity circulation of the most diverse modes of social production, so far as they produce commodities.' (*Capital* II, p.113.)

one does this, then the explanation of the process follows freely from Marx's basic theories, and is consistent with the other portions of his major works on economics.'[4] It must be admitted that the categories of 'individual capital' and 'aggregate social capital' represent a fundamental difference of methodology which divides Marx's economic theory from bourgeois, and especially Vulgar Economic, theory.[5] But in saying this have we in fact grasped what is most essential in Marx's method? Does this distinction really provide us with the key to the understanding of Marx's work and its structure? Surely not. Luxemburg thinks that the individual volumes of *Capital* are differentiated by the fact that Marx confines himself to the analysis of individual capital in the first, and only proceeds to the analysis of capital in its social connections in the second and third. This is not in fact the case. The category of aggregate capital is counterposed to that of individual capital in many places in Volume I. This procedure is used to establish some very significant theoretical results, such as for example, in the study of the factors which influence the rate and mass of surplus-value;[6] and in Part 7, in the inquiry into the process of the accumulation of capital etc.[7] The main difference is rather that the first two volumes do not go beyond the analysis of 'capital in general' whereas the third volume does and therefore represents the transition to the analysis of 'many capitals'

[4] *Anti-Critique*, p.61. Cf. the more detailed proof of this line of argument in *Accumulation of Capital*, Chapter 25 and 26.

[5] Cf. Chapter 2 of this work.

[6] 'The labour which is set in motion by the total capital of the society, day in, day out, may be regarded as a single working day. If, for example, the number of workers is a million, and the average working day is 10 hours, the social working day will consist of 10 million hours. With a given length of this working day, whether the limits are fixed physically or socially, the mass of surplus-value can be increased only by increasing the number of workers, i.e. the size of the working population. The growth of population here forms the mathematical limit to the production of surplus-value by the total social capital. And, inversely, with a given population this limit is formed by the possible lengthening of the working day.' (*Capital* I, p.422 (307).)

[7] Cf. *ibid.* p.713 (568): 'The illusion created by the money-form vanishes immediately if, instead of taking a single capitalist and a single worker, we take the whole capitalist class and the whole working class. The capitalist class is constantly giving to the working class drafts, in the form of money, on a portion of the product produced by the latter and appropriated by the former. The workers give these drafts back just as constantly to the capitalist class, and in this way, obtain their allotted share of their product. The transaction is veiled by the commodity-form of the product, and the money-form of the commodity.' Cf. *ibid.* p.719 (573): 'From the standpoint of society then, the working class even when it stands outside the direct labour process is just as much an appendage of capital as the lifeless instruments of labour are.'

and their interaction with one another, i.e. capital 'in its reality'.

In other words: the concepts of 'individual capital' and 'capital in general' are by no means identical. The second is much broader than the first, with the result that, according to Marx, 'the aggregate capital of society' can be studied most successfully in the context of 'capital in general' – and in fact, must be. The best example of this is provided by Part III of Volume II, precisely the one criticised by Rosa Luxemburg. And thus we come to her second methodological question; whether the study of economic processes from the standpoint of aggregate capital can be made consistent with the abstraction of a society composed solely of capitalists and workers?

It is clear that the criticisms which Luxemburg makes against the schemes of reproduction in Volume II would only have been justified if Marx had wanted to portray the process of the reproduction of social capital by means of these schemes, not simply in its 'abstract expression', in its 'fundamental form',[8] but also in the course of its actual historical development. We know that he did not. Luxemburg has to assume this because she considers that when we analyse aggregate social capital – in contrast to individual capital – we not only have to deal with economic processes in their entirety, but at the same time, with the direct, concrete reality of capitalism. Only then is it possible to understand why she saw the analysis in Part III as a 'bloodless fiction' and why she accused Marx of abstracting 'from all the conditions of historical reality', in this respect. From all the conditions? If we look closer, it turns out that although Luxemburg speaks of all conditions, she actually only means one – namely the existence of a non-capitalist environment, the so-called third person. And this is no accident, for if one wanted to take Luxemburg at her word, and make the validity of the economic laws discovered by Marx dependent on the strict consideration 'of all the conditions of historical reality', not only would the schemes of reproduction prove to be 'fictions', but so too would the entire results of the analysis in *Capital*. It is well known that any theoretical abstraction will always come off second best in the court of naked empiricism.

It certainly is true that the accumulation of capital 'as a historical process' presupposes 'from the first to the last' a milieu of pre-capitalist economic formations, with which it ceaselessly interacts.[9] However, it presupposes many other things 'from the first to

[8] See p.50 above.

[9] This is dealt with very nicely by Trotsky in his *Permanent Revolution*. 'Capitalist development – not in the abstract formulae of the second volume

the last' such as competition within and between countries, the failure of values to coincide with prices, the existence of an average rate of profit, external trade, the exploitation of countries where the productivity of labour is lower by their more fortunate competitors etc. These are all things which Marx rightly disregards in his abstract schemes of reproduction, but which, like the 'historical environment of capitalism', cannot be passed over when one adopts the standpoint of 'reality', as conceived empirically.

In other words: the confrontation of the schemes with historical reality either proves too much, or nothing at all. Luxemburg's inconsistency emerges clearly at this point. But not only at this point! She refers with satisfaction to the alleged gaping contradictions which emerge between the reproduction schemes in Volume II and the 'conception of the entire capitalist process and its development, as set out by Marx in Volume III of *Capital*'.[10] However, she herself repeatedly (and correctly) maintained that Marx not only proceeded under the assumption of a society composed solely of capitalists and workers in Volumes I and II, but also in Volume III[11] – i.e. he proceeded from an assumption which supposedly excluded a correct conception of the accumulation process from the outset! How can one reconcile the statements? How could Marx, using the same assumptions which led him astray in Volume II, arrive at diametrically opposed conclusions in Volume III – conclusions which Luxemburg regarded as correct. Again too much is proved here – more than is compatible with the starting-point of Luxemburg's critique. It is not difficult to discover the source of all these errors, once one has read the *Rough Draft*. It lies in the complete neglect of Marx's category of 'capital in general', and further in the failure to appreciate the role which is allotted to the abstraction 'a pure capitalist society' in marxist methodology. Marx himself says on this: 'In considering the essential relations of capitalist production it can therefore be assumed that the entire world of commodities, all spheres of material production . . . are (formally or really) subordinated to the capitalist

of *Capital*, which retain all their significance as a stage in analysis, but in historical reality – took place and could only take place by a systematic expansion of its base. In the process of its development, and consequently in the struggle with its internal contradictions, every national capital turns in an ever-increasing degree to the reserves of the "external market", that is, the reserves of the world-economy. The uncontrollable expansion growing out of the permanent internal crises of capitalism constitutes a progressive force up to the time when it turns into a force fatal for capitalism.' (p.153.)

[10] *Accumulation of Capital*, p.345.

[11] *ibid.* p.331.

mode of production (for this is what is happening more and more completely; this is the objective in principle, and only if this is attained will the productive powers of labour be developed to their highest point). On this premise, which expresses the limit [of the process] and which is therefore constantly coming closer to an exact presentation of reality, all labourers engaged in the production of commodities are wage-labourers, and the means of production in all these spheres confront them as capital.'[12]

Naturally this does not mean that Marx for one moment confused this methodological assumption with the reality of capitalism. His main concern was to understand the capitalist mode of production in concrete reality. However he regarded the method of the 'ascent from the abstract to the concrete' as being the only adequate scientific means of achieving this – he had already outlined this method in his Introduction and he later employed it in the *Rough Draft* and *Capital*. That is: according to Marx, in order to examine the inherent laws which form the basis of the capitalist mode of production, the 'development' of capital, in both its production process, and the processes of reproduction and circulation, had to be studied initially in 'ideal average', as a 'general type', in which all the 'concrete forms' of capital (e.g. the existence of non-capitalist strata) were to be disregarded.

And this analysis was in no way confined to the analysis of individual capital (which would be in accordance with Luxemburg's conception) since the 'capital of society as a whole' can and must also be conceived of as 'capital as such' or 'capital in general' in line with the particular aims of the analysis.[13] Let us remind the reader of the section from the *Rough Draft* quoted in the previous chapter: 'If I contemplate the aggregate capital of a country, e.g. as distinct from aggregate wage-labour, or if I look at capital as the general economic basis of a class, then I look at it in general.' One cannot agree at all that this represented a 'bloodless fiction' – in contrast to the study of individual capital.

Admittedly we could ask here whether the reproduction process of aggregate social capital presupposes a multiplicity of capitals? And whether therefore the study of this process should be excluded from the analysis of 'capital in general' and be assigned to that of 'many

[12] *Theories* I, pp.409-10. Cf. *Capital* III, p.175: 'But in theory it is assumed that the laws of capitalist production operate in their pure form. In reality there exists only approximation; but this approximation is the greater the more developed the capitalist mode of production and the less it is amalgamated with the survivals of former economic conditions.'

[13] *Grundrisse*, p.346.

capitals' i.e. competition? (Marx himself may have had similar thoughts for a while, as one could conclude from one passage in the *Rough Draft*.)[14] However, what the reproduction process of social capital requires conceptually is simply the existence of exchange relations between the two departments of social production – the industry producing the means of production, and that producing the means of consumption (which one can imagine as being represented simply by two separate capitals), but not competition in its real sense. Of course 'multiplicity is given once one has duality', and hence 'a transition from capital' in general to 'particular capitals, real capitals' would follow.[15] However, this in no way excludes an abstract inquiry within the framework of 'capital in general'. And this is also the reason why such an inquiry can already be found in Volume II of *Capital* – before Marx proceeded to the study of the 'action of many capitals upon each other', the average rate of profit etc. However, we do not have to go back to the *Rough Draft* to convince ourselves of the soundness of this interpretation, since Marx advocates this same standpoint with unmistakeable clarity in the *Theories of Surplus-Value* (well known to Luxemburg, and held in high regard by her).

We read in the Introductory Remarks to the chapter on 'Crises' in Part II of the *Theories*: 'Here we need only consider the forms which capital passes through in the various stages of its development. The real conditions within which the actual process of production takes place are therefore not analysed. It is assumed throughout, that the commodity is sold at its value. We do not examine the competition of capitals, nor the credit system, nor the actual composition of society, which by no means consists only of two classes, workers and industrial capitalists, and where therefore consumers and producers are not identical categories. The first category, that of the consumers (whose revenues are in part not primary, but secondary, derived from profits and wages), is much broader than the second category (producers), and therefore the way in which they spend their revenue, and the very size of the revenue, give rise to very considerable modifications in the economy and particularly in the circulation and reproduction process of capital. Nevertheless, just as the examination of money – both insofar as it represents a form altogether different from the natural form of commodities,

[14] *ibid.* p.521.

[15] *ibid.* p.449. (This passage does in fact refer to credit, as does a similar passage in *Theories* II, p.211; however, the point which is made can be applied to the process of reproduction.)

and also in its form as means of payment – has shown that it contained the possibility of crises; the examination of the general nature of capital, even without going further into the actual relations which all constitute prerequisites for the real process of production, reveals this still more clearly.'[16]

In contrast, in another part of the same volume we read, 'But now the further development of the potential crisis has to be traced – the real crisis can only be deduced from the real movement of capitalist production, competition and credit – insofar as the crisis arises out of the special aspects which are peculiar to capital as capital, and not merely comprised in its existence as commodity and money.'[17]

And as if in a foreboding of the fact that he would be criticised if he ever disregarded the 'actual relations' at this level of the analysis, Marx wrote, a few lines later: 'Furthermore it is necessary to describe the circulation or reproduction process before dealing with the already existing capital[18] – capital and profit[19] – since we have to explain, not only how capital produces, but also how capital is produced. But the actual movement starts from the existing capital – i.e. the actual movement denotes developed capitalist production, which starts from and presupposes its own basis. The process of reproduction and the predisposition to crisis which is further developed in it are therefore only partially described under this heading and require further elaboration in the chapter[20] on Capital and Profit.'[21]

For: 'The crises in the world market must be regarded as the real concentration and forcible adjustment of all the contradictions of bourgeois economy. The individual factors, which are condensed in these crises, must therefore emerge and must be described in each sphere of the bourgeois economy and the further we advance in our examination of the latter, the more aspects of this conflict must be

[16] *Theories* II, pp.492-93. Luxemburg quotes the same passage in her book without giving the slightest attention to the most important thing there – Marx's distinction between the 'general nature of capital' and the 'real relations'.

[17] *Theories* II, pp.512-13.

[18] See Note 129 on p.44.

[19] We know that in the draft outline on p.978 of the German edition of the *Grundrisse* this denotes a part of the work which corresponds to Volume III of *Capital* as far as its subject matter is concerned.

[20] This should read 'Section' or 'Book'.

[21] *Theories* II, p.513. Marx himself refers here to the relation between the section on Crises in Volume III of *Capital* and that on the reproduction schemes in Volume II (which deals with the supposed contradiction which Luxemburg saw between Volumes II and III).

traced on the one hand, and on the other hand it must be shown that its more abstract forms are recurring and are contained in the more concrete forms.'[22] There are therefore 'a multitude of moments, conditions, possibilities of crisis, which can only be investigated by observing the concrete relations, namely the competition of capitals and credit.'[23] Marx therefore dispensed with their presentation at this stage. According to his outline the detailed analyses of the social process of reproduction and crises as concrete phenomena were, in the main, to have been reserved for a later part of his work[24] as at this stage of the analysis Marx had two other principal concerns. 1. why does the 'general possibility of crisis become reality'[25] for the first time in the capitalist mode of production, and 2. how, despite this, a 'moving equilibrium in an expanding capitalism is possible' (although this is very relative and subject to periodic disturbances).[26] This does not of course exclude the concretisation of the analysis at a subsequent stage : in fact, it demands it.[27] (One example of a successfully concrete analysis is provided by Chapter XV of Volume III of *Capital*. One should also note Marx's methodological remarks on p.878 of that volume where he expressly refers to the necessity for further concretisation.)

So one can see that the 'bloodless fiction' for which Luxemburg rebukes Marx is none other than the study of the social reproduction process in the context of 'capital in general'. This demonstrates the extent to which she misinterpreted the method of *Capital*, and consequently what little trust we can place in her critique of Marx's reproduction schemes. (It shows too how right Lenin was when he described the failure to understand the methodology of *Capital* as the weakest aspect of marxist economic theory at the time of the Second International.)[28] It is true that Luxemburg energetically points out the basic distinction between the study of economic processes from the perspective of individual capital, and from that of aggregate social capital; these pages are among the best in her book. However,

[22] *ibid.* p.510.

[23] *ibid.* p.512.

[24] 'I exclude Sismondi from my historical survey here because a critique of his views belongs to a part of my work dealing with the real movement of capital (competition and credit).' *Theories* III, p.53.

[25] *Theories* II, p.514.

[26] Bukharin, *Imperialism and the Accumulation of Capital*, p.154.

[27] It must be significant in some sense that the methodological remarks made in Volume II of the *Theories* did not come to the attention of either Luxemburg or her critics.

[28] See Lenin, *Collected Works*, Vol.38, p.180.

at the same time she confuses the equally fundamental distinction between 'capital in general' and capital 'in reality', 'many capitals'. In her view only individual capital permits an abstract method of study, whereas the category of aggregate social capital should be used as a category to represent direct reality.

Hence her constant references to 'historical reality' versus 'theoretical fiction', her mistaken critique of Marx's reproduction schemes, and finally her inability to undertake a concrete marxist theoretical development of the valid kernel of her book, namely, her insistence on the conflict between capital's limitless drive for valorisation, and the restricted purchasing power of capitalist society, as one of the principal sources of capitalism's political and economic expansion.

And regardless of how unsatisfactory her own solution to this question might have been, she retains the merit of having placed this perspective back in the centre of discussion; a perspective which follows directly from Marx's theory itself, but one which posed intractable problems for the reformist epigones of the Second International.

method

3.
Karl Marx and the Problem of Use-Value in Political Economy[1]

Before proceeding to a presentation of the contents of the *Rough Draft* we want to raise a methodological question which has been very neglected in previous marxist literature,[2] the answer to which, however, contributes fundamentally to our knowledge of the *Rough Draft.* The issue is that of the role of use-value in Marx's economics.

I.

Among Marx's numerous critical comments on Ricardo's system the most striking can be found only in the *Rough Draft*, namely that Ricardo abstracts from use-value in his economics,[3] that he is only 'exoterically concerned'[4] with this important category, and that consequently for him it 'remains lying dead as a simple presupposition'.[5]

We should now examine this criticism more closely. Strangely enough, it concerns not only Ricardo, but also many of Marx's pupils, as it has been a tradition among marxist economists to disregard use-value, and place it under the scope of the 'knowledge of merchandise' (*Warenkunde*). For example, Hilferding in his reply to Böhm-Bawerk: 'The commodity is the unity of use-value and value, but we can regard that unity from two different aspects. As a natural thing it is the object of a natural science – as a social thing, it is an object of a social science, political economy.

The object of economics is the social aspect of the commodity, of the good, insofar as it is a symbol of social inter-connection. On

[1] Originally published in the Swiss journal *Kyklos*, 1959.

[2] We can name two works which constitute an exception: first, the work of the Russian economist I.I.Rubin on *Marx's Theory of Production and Consumption* of 1930, which was unfortunately unavailable to the author; second (at least in part) Grossmann's last work *Marx, die klassische Nationalökonomie und das Problem der Dynamik*, (mimeographed) New York.

[3] *Grundrisse*, p.267.

[4] *ibid.* p.647.

[5] *ibid.* p.320.

the other hand the natural aspect of the commodity, its use-value, lies outside the domain of political economy.'[6]

At first glance this appears to be simply a paraphrase of the well-known section from Marx's *Contribution.* However, how does this passage actually read in Marx?

'To be a use-value is evidently a necessary prerequisite of the commodity, but it is immaterial to the use-value whether it is a commodity. Use-value as such, since it is independent of the determinate economic form, lies outside the sphere of investigation of political economy. It belongs in this sphere only when it is itself a determinate form.'[7]

It must be conceded that the original differs considerably from the copy,[8] and that Hilferding's arbitrary reproduction of these sentences is tantamount to clumsy distortion of Marx's real view.

Or, we can take a more recent marxist author, P.M.Sweezy. In his work the *Theory of Capitalist Development*, which is intended to popularise Marx's economics, we read: 'Marx excluded use-value (or as it would now be called, 'utility') from the field of investigation of political economy on the ground that it does not directly embody a social relation. He enforces a strict requirement that the categories of economics must be social categories, i.e. categories which represent relations between people. It is important to realise that this is

[6] R.Hilferding, *Böhm-Bawerk's Criticism of Marx*, Clifton NJ: Kelley, 1949, p.130.

[7] *Contribution*, p.28.

[8] Bernstein noticed this immediately and chafes Hilferding in his discussion of the latter's text (in *Dokumenten des Sozialismus* 1904 Heft 4, pp.154-57) on the subject of the discrepancy between his formulation of the question and Marx's own. He writes, 'Marx is not so daring as to throw use-value completely out of political economy', and if Hilferding does this, 'then he stumbles from his lofty position as an interpreter of Marx into depths far below those of the university professors whom he holds in such low regard'. However, these sarcastic remarks do not obscure the fact that Bernstein himself had no idea how to deal with the discrepancy, and was only able to solve it through a convergence of Marx's theory with the economists of the 'psychological school'.

Hilferding's reply turned out to be very weak. 'Use-value can only be designated a social category when it is a conscious aim of society, when it has become an object of its conscious social action. It becomes this in a socialist society, whose conscious management sets as its aim the production of use-values; however, this is in no way the case in capitalist society . . . However, although use-value can be designated as a social category in a socialist society it is not an economic category, not an object of theoretical economic analysis, since a consciously directed relation of production does require this analysis.' (*Neue Zeit* No.4, 1904, pp.110-11.)

in sharp contrast to the attitude of modern economic theory . . .'[9]

Sweezy's presentation does not differ substantially from that normally found in popularisations of marxist economics.[10] However, in his case the mistake is even less forgivable, as not only did he have access to the *Theories of Surplus-Value*, but also the *Marginal Notes on A.Wagner*,[11] where Marx discusses the role of use-value in his economic theory in great detail.

He says there on Wagner, 'Only a *vir obscurus*, who has not understood a word of *Capital* could conclude: Because Marx dismisses all the German professional twaddle on "use-value" in general in a footnote on "use-value" in the first edition of *Capital* and refers the reader who would like to know something about real use-value to "manuals dealing with merchandise"[12] therefore use-value plays no role for him . . . If one is concerned with analysing the "Commodity", the simplest concrete economic entity, all relations which have nothing to do with the object of analysis must be kept at a distance. However, what there is to say about the commodity, as far as use-value is concerned, I have said in a few lines; but, on the other hand, I have called attention to the characteristic form in which use-value – the product of labour[13] – appears in this respect; namely, "A thing can be useful and the product of human labour, without being a commodity. Whoever directly satisfies his own needs with the

[9] *op. cit.* p.26.

[10] The philosopher Marcuse goes to the other extreme when he writes, 'when Marx declares that use-value lies outside the scope of economic theory, he is at first describing the actual state of affairs in classical political economy. His own analysis begins by accepting and explaining the fact, that, in capitalisms, use-values appear only as the "material bearers of exchange-value" (*Capital* I, p.126(36)). His critique then refutes the capitalist treatment of use-values and sets its goals on an economy in which this relation is entirely abolished.' (*Reason and Revolution*, p.304.)

The arbitrariness of this interpretation is immediately obvious. In the first place the passage quoted from the *Contribution* is not concerned exclusively with classical political economy, but with political economy in general. Secondly, Marx nowhere states that use-values are only 'material depositories of exchange-value', but rather that they are so 'at the same time', which is quite another question. Finally, Marx never set himself the task of combatting the capitalist treatment of use-values, but rather of scientifically explaining the fact, peculiar to capitalism (and to commodity production in general), that for use-values to be able to satisfy human needs, they must first prove themselves as exchange-values.

[11] Marx's last economic work, printed in *MEW* Vol.19, pp.355-89. An English translation was published in *Theoretical Practice*, Issue 5, spring 1972.

[12] See *Contribution*, p.28.

[13] This should read, 'insofar as it is the product of labour'.

product of his own labour creates, indeed, use-values, but not commodities. In order to produce the latter, he must not only produce use-values, but use-values for others, social use-values . . ."[14] Hence use-value itself – as the use-value of a "commodity" – possesses a historically specific character . . . It would therefore be sheer word-spinning to use the opportunity provided by the analysis of the commodity – because it presents itself as, on the one hand a use-value or good, and on the other a "value" – to add on all kinds of banal reflections about use-values or goods which do not form part of the world of commodities [in the way that standard university economics does] . . . On the other hand the *vir obscurus* has overlooked the fact that I do not stop short in my analysis of the commodity at the double manner in which it presents itself, but immediately go on to say that in the double being of the commodity there is represented the twofold character of labour, whose product the commodity is: useful labour, i.e. the concrete modes of labour which create use-values, and abstract labour, labour as the expenditure of labour-power, irrespective of whatever "useful" way it is expended (on which my later representation of the production process is based); that in the development of the value-form of the commodity, in the last instance of its money-form and hence of money, the value of commodity is represented in the use-value of the other, i.e. in the natural form of the other commodity; that surplus-value itself is derived from a "specific" and exclusive use-value of labour-power, etc. etc. That is, use-value plays a far more important part in my economics, than in economics hitherto,[15] but N.B. that it is only ever taken into account when this arises from the analysis of given economic forms, and not out of arguing backwards and forwards about the concepts of words "use-value" and "value".'[16]

This then is Marx's view. It is clear from this that the traditional marxist interpretation of Hilferding, Sweezy *et al.* cannot possibly be correct, and that in this instance the authors mentioned above – without knowing it – do not follow their teacher, Marx, but rather Ricardo, the man he criticises.

II.

However, what is the basis of Marx's critique, and how should we actually interpret the objections to Ricardo which are mentioned at the beginning?

[14] Quoted from *Capital* I, p.131 (40).

[15] Marx refers here, of course, to the economics of Smith and Ricardo.

[16] *MEW* Vol.19, p.371.

To answer this we have to go back to the basic methodological assumptions of the marxist system.

We know that, in contrast to the Classical school, Marx's entire theoretical effort was directed at uncovering the 'particular laws which govern the emergence, existence, development and death of a given social order, and its replacement by another higher one.'[17] He thus regarded the capitalist mode of production as 'merely a historical mode of production, corresponding to a certain limited epoch in the development of the material conditions of production',[18] and the categories of bourgeois economics as 'forms of thought expressing with social validity the conditions and relations of a definite, historically determined mode of production'.[19]

But how can theory arrive at a knowledge of such particular laws, which have only a historical claim to validity? And how can these laws be brought into consonance with the general economic determinants which apply to all social epochs since 'all epochs of production have certain features in common', a fact which 'arises already from the identity of the subject, humanity, with the object, nature'.[20] Consequently, nothing is easier than 'to confound or extinguish all historical differences under general human laws', by picking out these common characteristics.[21] For example, 'even though the most developed languages have laws and charac-

[17] I.J. Kaufmann's description of Marx's method of investigation – quoted by Marx in the Afterword to the Second Edition of Volume I of *Capital*, p.102 (19).

[18] *Capital* III, p.259.

[19] *Capital* I, p.169 (76).

[20] *Grundrisse*, p.85. Hence, 'no society can go on producing, in other words, no society can reproduce, unless it constantly reconverts a part of its products into means of production, or elements of fresh products'. (*Capital* I, p.711 (566). For this purpose, therefore, it must maintain a certain production between the growth of the industries producing the means of production, and those producing the means of consumption (Departments I and II in Marx's schemes of reproduction), accumulate reserves etc. On the other hand, in any society, a certain quantity of surplus labour has to be carried out by the members of that society in order that it may have 'at its disposal, so to speak, a fund for development, which the very increase in population makes necessary' (*Theories* I, p.107). 'If we strip both wages and surplus-value, both necessary and surplus labour of their specifically capitalist character, then certainly there remain not these forms, but merely their rudiments, which are common to all social modes of production.' (*Capital* III, p.876.) And finally, 'No society can prevent the disposable labour-time of society one way or another from regulating production.' (*MEW* Vol.32, p.12.) And consequently this material basis of the determination of value will also have considerable significance under socialism. (Cf. *Capital* III, p.851.)

[21] *Grundrisse*, p.87.

teristics in common with the least developed, nevertheless, those things which determine their development' must express 'the distinction between what they have in general and what they have in common'. Similarly the task of political economy is, above all, the investigation of the laws of development of the capitalist period, which it studies 'so that in their unity' (the unity between this period with earlier ones through the features which they have in common), 'the essential difference is not forgotten'.[22]

But what constitutes development in the sphere of the economy? It is precisely that process in which it expresses its specific social character! 'To the extent that the labour-process is solely a process between man and nature, its simple elements remain common to all forms of social development. However, each definite historical form of this process marks a further development in its material basis and social forms.'[23] Here it is the social forms which are the decisive factor – as distinct from their naturally given 'content'. They alone represent the active, forward-moving element,[24] for 'natural laws cannot be abolished at all. What can change in historically different circumstances is only the form in which these laws assert themselves.'[25]

We cannot go any more closely here into the fundamental marxist distinction between 'Form' and 'Content' in economics. (The influence of Hegel's *Logic* is easily discernible here.[26]) One fact though is certain: for Marx it is the *economic* forms which serve to distinguish the particular modes of production, and in which the social relations of economic individuals are expressed. For example, as he says when

[22] *ibid.* p.85.

[23] *Capital* III, p.883.

[24] Cf. Hegel's *Science of Logic*, Volume II, p.79. 'Matter is determined as indifferent: it is the *passive* as against the active . . . Matter must be formed and Form must materialise itself – must in Matter give itself self-identity and persistence.'

[25] Marx's letter to Kugelmann, 11 July 1868. *Selected Correspondence*, p.196.

[26] The Russian political economist I.I.Rubin wrote in another context: 'One cannot forget that, on the question of the relation between content and form, Marx took the standpoint of Hegel and not of Kant. Kant treated form as something external in relation to the content, and as something which adheres to the content from the outside. From the standpoint of Hegel's philosophy, the content is not in itself something to which form adheres from the outside. Rather, through its development, the content itself gives birth to the form which was already latent in the content. Form necessarily grows from the content itself.' (*Essays on Marx's Theory of Value*, Detroit: Black and Red 1972, p.117.)

criticising Rossi: 'the "forms of exchange" seem [to Rossi] to be a matter of complete indifference. This is just as if a physiologist were to say that the different forms of life are a matter of complete indifference, since they are all only forms of organic matter. It is precisely those forms that are alone of importance when the question is the specific character of a mode of social production. A coat is a coat. But have it made in the first form of exchange, [a] and you have capitalist production and modern bourgeois society; in the second, [b] and you have a form of handicraft which is even compatible with Asiatic relations or those of the Middle Ages etc.'[27] For, 'in the first case the jobbing tailor produces not only a coat, he produces capital; therefore also profit; he produces his master as a capitalist and himself as a wage-labourer. When I have a coat made for me at home by a jobbing tailor, for me to wear, that no more makes me my own entrepreneur (in the sense of an economic category) than it makes the entrepreneur tailor an entrepreneur when he himself wears and consumes a coat made by his workmen.'[28]

And in another passage: 'The agricultural labourers in England and Holland who receive wages which are "advanced" by capital "produce their wages themselves" just like the French peasant or the self-sustaining Russian serf. If the production process is considered in its continuity, then the capitalist advances the worker as "wages" today only a part of the product which he produced yesterday. Thus the difference does not lie in the fact that, in one case, the worker produces his own wage, and does not produce them in the other . . . The whole difference lies in the *change of form*, which the labour fund produced by the worker undergoes, before it returns to him in the form of wages . . .'[29]

Hence it is the specific social forms of production and distribution which, in Marx's view, constitute the real object of economic analysis; and it is just this 'lack of the theoretical understanding needed to distinguish the different form of economic relations' combined 'with a crude obsession with the material' which characterises

a) The form in which the tailor produces the coat for sale ready-made.
b) The form in which the tailor is provided with the material and a wage by the person who wants the coat.

[27] Marx's comments here refer to the following sentence from Rossi: 'Whether one buys ready-made clothes from a tailor, or whether one gets them from a jobbing-tailor who has been given the material and a wage, as far as the results are concerned the two actions are perfectly similar.' (*Theories* I, p.295.)

[28] *Theories* I, pp.295-96.

[29] *Theories* III, p.424. (Cf. *Grundrisse*, p.87.)

previous economics, even in its best representatives.[30] Only R. Jones and Sismondi are exempt from this criticism.[31])

With this we come to the end of our methodological excursus. Meanwhile the reader will have noticed that we have simultaneously answered – in very general terms – the question of the role of use-value in Marx's economics. How did that passage run which we quoted at the beginning, from Marx's *Contribution*? In its 'independence from the determinate economic form' use-value 'lies outside the sphere of investigation of political economy. It belongs in this sphere only when it is a *determinate form itself*.' In other words, whether use-value should be granted economic significance or not can only be decided in accordance with its relation to the social relations of production. It is certainly an economic category to the extent that it influences these relations, or is itself influenced by them. However, apart from that – in its raw 'natural' characteristics – it falls outside the scope of political economy. Or, as it says in the *Grundrisse*: 'Political economy has to do with the specific social forms of wealth or rather the production of wealth. The material of wealth, whether subjective, like labour, or objective, like objects for the satisfaction of natural or historical needs, initially appears as common to all epochs of production. This material therefore appears initially as mere presupposition, lying quite outside the scope of political economy, and falls within its purview only when it is modified by the formal relations or appears as modifying them.'[32]

III.

Regarded in this way, the question of the difference between Marx and Ricardo on the role of use-value in economics no longer presents any difficulties. It cannot be related to their basic theories of value since both subscribed to the labour theory of value. From

[30] *Theories* I, p.92 and *Capital* I, p.682 (542); *Capital* III, p.323.

[31] 'What distinguishes Jones from the other economists (except perhaps Sismondi) is that he emphasises that the essential feature of capital is its socially determined form, and that he reduces the whole difference between the capitalist and other modes of production to this distinct form.' (*Theories* III, p.424.)

[32] *Grundrisse*, p.852. Cf. the parallel section on p.881. 'The first category in which bourgeois wealth presents itself is that of the commodity. The commodity itself appears as the unity of two aspects. It is use-value, i.e. object of the satisfaction of any system whatever of human needs. This is its material side, which the most disparate epochs of production may have in common, and whose examination therefore lies beyond political economy. Use-value falls within the realm of political economy as soon as it becomes modified by the modern relations of production, or as it in turn intervenes to modify them.'

the standpoint of the labour theory of value the utility or use-value of the products of labour cannot be granted any influence in the creation of value; their use-value must rather appear as a simple presupposition of their exchangeability. However, it in no way follows from this that use-value has no economic significance at all, and that it should simply be excluded from the sphere of economics.

In Marx's view this is only correct in the case of simple commodity circulation (the exchange form C-M-C). Simple circulation 'consists at bottom[33] only of the formal process of positing exchange-value, sometimes in the role of the commodity, at other times in the role of money'.[34] How exactly the commodities to be exchanged were produced (i.e. whether they originated in a capitalist or pre-capitalist economy), and how they will be consumed after exchange is incidental to the economic study of simple commodity circulation. The protagonists here are simply buyers and sellers, or rather the commodities put up for sale by them, which establish their social connection on their behalf. The real aim of exchange – the mutual satisfaction of the needs of the commodity producers – can only be fulfilled if the commodities simultaneously prove themselves to be values, if they are successfully exchanged for the 'universal commodity', money. Consequently the social change of matter takes place in the change of form of the commodities themselves.

And in this situation the change of form is the only social relationship between the commodity owners – 'the indicator of their social function, or their social relation to each other'.[35] However, as far as the content outside the act of exchange is concerned, this 'content can only be . . . 1) the natural particularity of the commodity being exchanged 2) the particular natural need of the exchangers or both together, the different *use-values* of the commodities being exchanged'.[36] However the content as such does not determine the character of the exchange relation. In fact, use-value simply constitutes 'the material basis in which a specific economic relation presents itself' and 'it is only this specific relation which stamps the use-value as a commodity . . . Not only does the exchange-value not appear as determined by use-value, but rather, furthermore, the commodity only becomes a commodity, insofar as its owner does not relate to it as use-value.'[37] Hence in this situation, where exchange 'takes place

[33] In original, 'au fond'.
[34] *Grundrisse*, p.256.
[35] *ibid.* p.241.
[36] *ibid.* p.242.
[37] *ibid.* p.881.

only for the reciprocal use of the commodity, the use-value . . . the natural peculiarity of the commodity as such, has no standing as an economic form', – is not 'a content of the relation as a social relation'.[38] Consequently only the change of form of the commodity and money has economic significance, and the presentation of simple commodity exchange has to be confined to this change of form alone.[39]

However, although this is correct for simple commodity exchange, nothing would be more erroneous, states Marx, than to conclude 'that the distinction between use-value and exchange-value, which falls outside the characteristic economic form in simple circulation, . . . falls outside it in general . . . For example, Ricardo, who believes that the bourgeois economy deals only with exchange-value, and is concerned with use-value merely exoterically, derives the most important determinations of exchange-value precisely from use-value, from the relation between the two of them: for instance, *ground-rent, the minimum level of wages, and the distinction between fixed and circulating capital*, to which he imputes precisely the most significant influence on the determination of prices; likewise in the relation of demand and supply etc.'[40] Ricardo was indeed right to say that 'exchange-value is the predominant aspect. But of course use does not come to a halt because it is determined only by exchange; although of course it obtains its direction thereby'.[41] 'To use is to consume, whether for production or consumption. Exchange is the mediation of this act through a social process. Use can be posited' through exchange 'and be a mere consequence of exchange; then again exchange can appear merely as a moment of use, etc. From the standpoint of capital (in circulation), exchange appears as the positing of use-value, while on the other hand its use (in the act of production) appears as positing for exchange, as positing its exchange-value. Similarly with production and consumption. In the bourgeois economy (as in any) they are posited in specific distinctions and specific unities. The point is to understand precisely these specific distinguishing characteristics . . . and not, as Ricardo does, to completely abstract from them, or like the dull Say, to make a pompous fuss about nothing more than the presupposition of the word "utility".' For 'Use-value itself plays a role as an economic category.

[38] *ibid.* p.267.
[39] 'If we want to examine the social relation of individuals within their economic process, we must keep to the characteristic form of this process itself.' (*Grundrisse*, German edn. p.914.)
[40] *Grundrisse*, pp.646–47.
[41] *ibid.* p.267.

Where it plays this role . . . the degree to which use-value exists outside economics and its determinate forms and not merely as presupposed matter . . . is something which emerges from the development itself.'[42]

IV.

So when, according to Marx, does use-value as such become modified by the formal relations of bourgeois economy, and when, in its turn, does it intervene to modify these formal relations – that is, as a 'determinate economic form' itself?

In the *Marginal Notes on A.Wagner*, which have already been cited, Marx points out that even in simple commodity circulation, with the development of the money-form of the commodity, the value of a commodity must be represented in 'use-value, i.e. in the natural form of the other commodity'. In Marx's view this does not only mean that money must be a commodity as a matter of course, i.e. possess use-value in its material, but also, that this use-value is connected to quite specific physical properties of the money-commodity which make it capable of fulfilling its function. We read in the *Rough Draft*: 'The study of the precious metals as subjects of the money relation, as incarnations of the latter, is therefore by no means a matter lying outside the realm of political economy, as Proudhon believes, any more than the physical composition of paint, and of marble lie outside the realm of painting and sculpture. The attributes possessed by the commodity as exchange-value, attributes for which its natural qualities are not adequate, express the demands made upon those commodities which are the material of money par excellence. These demands at the level at which we have confined ourselves up until now [i.e. the level of pure circulation of metals] are most completely satisfied by the precious metals.'[43]

The commodities which fulfil the function of the universal equivalent, can double their use-value precisely because of their specific attributes, which make them the only material for money. They contain 'besides their particular use-value as a particular commodity', a 'universal' or 'formal' use-value.[44] 'This latter use-value is itself a characteristic form, i.e. it arises from the specific role, which it [the money-commodity] plays as a result of the all-sided action exerted on it by the other commodities in the process of exchange.'[45]

[42] *ibid.* pp.646, 267.
[43] *ibid.* p.174.
[44] 'The formal use-value [of money] unrelated to any real individual need.' (*Contribution*, p.89.)
[45] *Contribution*, p.47.

With this, the 'material change and the change of form coincide, since in money the content itself is part of the characteristic economic form.'[46]

The second example which Marx refers to in the *Marginal Notes* is of decisive importance – the exchange between capital and labour. If we look, for example, at simple commodity circulation, as it occurs 'on the surface of the bourgeois world', in retail trade, 'a worker who buys a loaf of bread, and a millionaire who buys the same thing, seem, in this act, to be simply buyers, as the grocer who confronts them is simply a seller. The content of these purchases, like their extent, here appears as completely irrelevant compared with the formal aspect.'[47]

However the matter looks quite different if we proceed from this exchange on the surface, to the exchange which determines the essence of the capitalist mode of production – that between capital and labour. For, if in simple circulation, 'commodity A is exchanged for money B, and the latter then for the commodity C, which is destined for consumption – the original object of the exchange for A – then the use of commodity C, its consumption, falls entirely outside circulation; is irrelevant to the form of the relation . . . is of purely physical interest, expressing no more than the relation of the individual in his natural quality to an object of his individual need. What he does with commodity C is a question which belongs outside the economic relation.'[48] In contrast to this, in the exchange between capital and labour, it is precisely the use-value of the commodity purchased by the capitalist (i.e. labour-power) which constitutes the presupposition of the capitalist production process and the capital relation itself. In this transaction the capitalist exchanges a commodity whose consumption 'coincides directly with the objectification (*Vergegenständlichung*) of labour i.e. with the positing of exchange-value'.[49] Consequently, if 'the content of use-value was irrelevant in simple circulation' here, by contrast, 'the use-value of that which is exchanged for money appears as a particular economic relation . . . falls within the economic process because the use-value here is itself determined by exchange-value'.[50]

Hence if the creation of surplus-value, as the increase in the exchange-value of capital, is derived from the specific use-value of the commodity labour-power, then political economy must in turn

[46] *Grundrisse*, p.667.
[47] *ibid.* p.251.
[48] *ibid.* p.274.
[49] *Grundrisse*, German edn. p.944.
[50] *Grundrisse*, pp.274-75, 311.

restrict the share of the value-product accruing to the worker to the equivalent of the goods necessary to maintain him, and consequently must allow this share to be determined at bottom by means of use-value.[51] In this instance, too, the category of use-value has an impact on the economic relations of the capitalist mode of production.

We can also confirm now use-value constantly influences the forms of economic relations in the circulation process of capital. We disregard here the many ways in which the material nature of the product affects the duration of the working period and the circulation period,[52] and proceed directly to the distinction which is basic to the circulation process – that between fixed and circulating capital, which Marx refers to in his polemic against Ricardo, which we have already cited.

As far as fixed capital is concerned, it only circulates 'as value to the degree that it is used up or consumed as use-value in the production process. But the time in which it is consumed and in which it must be reproduced in its form as use-value depends on its relative durability. Hence its durability, or its greater or lesser perishability – the greater or smaller amount of time during which it can continue to perform its function within the repeated production processes of capital – this aspect of its use-value here becomes a form-determining moment i.e. a determinant for capital as regards its form, not as regards its substance. The necessary reproduction of fixed capital, together with the proportion of the total capital consisting of it, here modify, therefore, the turnover time of the total capital and thereby its valorisation.'[53]

Thus, in the categories of fixed and circulating capital, 'the distinction between the [three] elements [of the labour process] as use-values . . . appears as a qualitative distinction within capital itself, and as the determinant of the complete movement (turnover).'[54] This therefore represents yet another instance where use-value enters into the process of capital as an economic factor.[55]

[51] 'Ricardo regards the product of labour in respect of the worker only as use-value – only the part of the product which he needs to be able to live as a worker. But how it comes about that the worker suddenly only represents use-value in the exchange, or only draws use-value from the exchange is by no means clear to him.' (*ibid.* p.551.)

[52] Cf. especially Chapters V, XII and XIII of *Capital* II.

[53] *Grundrisse*, p.685. Cf. *Capital* II, pp.170-71.

[54] *Grundrisse*, p.692.

[55] In this regard we should refer to the instruments of labour which, 'as capital united with the land', function in the form of factory buildings, railways, bridges, tunnels, docks etc. The fact that such instruments of labour are 'localised, attached to the soil by their roots, assigns to this portion of fixed capital a peculiar role in the economy of nations. They cannot be sent abroad, cannot circulate as commodities in the world market. Title to this fixed capital may change, it may be bought and sold, and to this extent may circulate ideally. These titles of ownership may even circulate in foreign markets, for instance, in the form of stocks. But a change of the persons owning this class of fixed capital does not alter the relation of the immovable, materially fixed part of the national wealth to its movable part.' (*Capital* II, p.166.)

However, the role of use-value is seen most clearly in the reproduction process of aggregate social capital, as it is presented in Part III of Volume II of *Capital*. At the beginning of this section Marx points out that as long as the analysis was simply one of the reproduction process of an individual capital (i.e. as in Volume I), 'the natural form of the commodity-product was completely irrelevant to the analysis . . . whether it consisted of machines, corn or mirrors'. In Volume I it was simply 'presupposed on the one hand that the capitalist sells the product at its value, and on the other that he finds within the sphere of circulation the objective means of production for restarting the process'. For, 'the only act within the sphere of circulation on which we have dwelt was the purchase and sale of labour-power as the fundamental condition of capitalist production'.[56] However, 'This merely formal[57] manner of presentation is no longer adequate in the study of the aggregate social capital', in the reproduction of which the problem is not merely the replacement of value, but also the replacement of material, and consequently everything depends on the material shape, on the use-value of the value-product.[58]

The same point is made in the *Theories*, the difference being that Marx expressly refers to the significance of use-value as an economic category: 'In considering surplus-value as such, the original form of the product, hence of the surplus-product, is of no consequence. It becomes important when we consider the actual process of reproduction, partly in order to understand its forms, and partly in order to grasp the influence of luxury production etc. on reproduction.'[59] 'Here', Marx stresses, 'is another example of how use-value as such acquires economic significance.'[60]

[56] *ibid.* pp.356-57.

[57] i.e. bearing in mind the form of the process.

[58] *Capital* II, p.398. The well-known schemes of reproduction of Tugan-Baranovsky and Otto Bauer suffer precisely from not having observed this methodological postulate.

[59] *Capital* II, p.407.

[60] *Theories* III, pp.251-52. In another passage in the same work Marx examines the question as to whether 'a part of the surplus-value can be directly transformed into constant capital . . . without first having been alienated'. He writes: 'In industrial areas there are machine-builders who build whole

We now proceed to those subjects dealt with in Volume III of *Capital*. We can also find numerous examples here of the significance of use-value as an economic category. This is obvious in the case of ground-rent, which Marx (like Ricardo) derives ultimately 'from the relation of exchange-value to use-value'. The importance of use-value is also shown in relation to the rate of profit, insofar as this is dependent on fluctuations in the value of raw materials. For, 'it is especially agricultural produce proper, i.e. the raw materials taken from organic nature, which . . . is subject to fluctuations of value in consequence of changing yields etc. Owing to uncontrollable natural conditions, favourable or unfavourable seasons etc. the same quantity of labour may be represented in very different quantities of use-values, and a definite quantity of these use-values may therefore have very different prices.'[61] Such variations in price, 'always affect the rate of profit, even if they leave the wage untouched and hence the rate and amount of surplus-value too'.[62] We should also devote special attention to the influence of use-value on the accumulation of capital.

Grossmann writes : 'In marxist literature up till now stress has been laid merely on the fact that the *mass of the value* of the constant capital grows both absolutely, and in relation to the variable capital in the course of capitalist production and the accumulation of capital, with the increase in the productivity of labour, and the transition to a higher organic composition of capital. However this phenomenon only constitutes one side of the process of accumula-

factories for the manufacturers. Let us assume one-tenth is surplus-product, unpaid labour, whether this tenth, the surplus-product, consists of factory buildings which are built for a third party and are sold to them, or of factory buildings which the producer builds for himself – sells to himself – clearly makes no difference. The only thing that matters here is whether the kind of use-value in which the surplus labour is expressed can re-enter as means of production into the sphere of production of the capitalist to whom the surplus belongs. This is yet another example of how important is the analysis of use-value for the determination of economic phenomena.' (*Theories* II, pp.488-89.)

[61] *Capital* III, pp.117-18.

[62] *ibid.* p.115. Another example is provided by the uneven development of the different spheres of production in the capitalist economy. We read in Volume III : 'The fact that the development of productivity in different lines of industry proceeds at substantially different rates and frequently even in opposite directions, is not due merely to the anarchy of competition and the peculiarities of the bourgeois mode of production. Productivity of labour is also bound up with natural conditions, which frequently become less productive as productivity grows – inasmuch as the latter depends on social conditions. Hence the opposite movements in these different spheres – progress here, retrogression there. Consider only the influence of the seasons, for instance, which determines the available quantity of the bulk of raw materials, the exhaustion of forest lands, coal and iron mines etc.' (*ibid.* p.260.)

tion, in that it is regarded from the aspect of value. In fact, it cannot be repeated too often that the reproduction process is not merely a process of valorisation but also a labour process – it produces not merely values, but also use-values'. And, 'looked at from the aspect of use-value, the increase in productive capacity does not only operate in the direction of the devaluation of existing capital, but also in the direction of a quantitative increase in objects of use.'[63] The effect that this has on the accumulation of capital can be read in Volume III of *Capital*.[64]

It states there : 'The increase in productive power can only directly increase the value of the existing capital, if by raising the rate of profit it increases that portion of the value of the annual product which is reconverted into capital . . . Indirectly however, the development of the productivity of labour contributes to the increase of the value of existing capital by increasing the mass and variety of use-values[65] in which the same exchange-value is represented and which form the material substance i.e. the material elements of capital, the material objects making up the constant capital directly and the variable capital at least indirectly. More products which may be converted into capital, whatever their exchange-value, are created with the same capital and the same labour. These products may serve to absorb additional labour, hence also additional surplus labour and therefore create additional capital.' For 'the amount of labour which a capital can command does not depend on its value, but on the mass of raw and auxiliary materials, machinery and elements of fixed capital and necessities of life, all of which it comprises whatever their value may be. As the mass of labour employed and that of surplus labour increases, there is also a growth in the value of the reproduced capital and in the surplus-value newly added to it.'[66]

V.

The problem of supply and demand is dealt with in particular detail in Volume III of *Capital*. This problem is closely related to

[63] Grossmann, *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, pp.326-28.

[64] Cf. in addition *Capital* I, pp.752-53 (604-05).

[65] 'If one has more elements of production (even of the same value) the technical level of production can be expanded; then, at the same mass of value of capital more workers can be employed in the production process, who, will therefore produce more value in the next cycle of production.' (Grossmann, *op. cit.* p.330.)

[66] *Capital* III, p.248.

that of the much discussed question of socially necessary labour-time, which has already been broached in Chapter 2 above.[67]

Right at the beginning of Volume I we read, 'Socially necessary labour-time is the labour-time required to produce any use-value under the conditions of production normal for a given society and with the average degree of skill and intensity prevalent in that society.' And, that 'which determines the magnitude of the value of any article is therefore the amount of labour socially necessary or the labour-time socially necessary for its production'.[68]

We encounter this 'technological' meaning of the concept of socially necessary labour-time again and again in *Capital*, and in other of Marx's works. However, we also encounter another meaning, according to which labour can only count as 'socially necessary' if it corresponds to the aggregate requirements of society, for a particular use-value.

In Volume I of *Capital* we read, 'Let us suppose that every piece of linen in the market contains nothing but socially necessary labour-time. In spite of all this all these pieces taken as a whole may contain superfluously expended labour-time. If the market cannot stomach the whole quantity at the normal price of 2 shillings a yard this proves that too great a portion of the total social labour-time has been expended in the form of weaving. The effect is the same as if each individual weaver had expended more labour-time upon his particular product than was socially necessary. As the German proverb has it: caught together, hanged together. All the linen on the market counts as one single article of commerce, and each piece of linen is only an aliquot part of it. And in fact the value of each single yard is also nothing but the materialisation of the same socially determined quantity of homogeneous human labour.'[69]

Marx expresses the same idea in numerous other passages. And Engels even combined both meanings in one definition when he stated in the course of an attack on Rodbertus, 'If he had investigated by what means and how labour creates value and therefore also determines and measures it, he would have arrived at socially necessary labour, necessary for the single product, both in relation to other products of the same kind, and also in relation to society's total demand.'[70]

The amalgamation of these two meanings of 'socially necessary

[67] Cf. p.51.
[68] *Capital* I, p.129 (39).
[69] *ibid.* p.202 (107).
[70] Engels's Preface to Marx's *Poverty of Philosophy*, p.20.

labour' has been seen as an intolerable contradiction by numerous writers.[71] In reality the contradiction is only apparent; it is in fact a question of different levels of analysis, which require operating with two different, but mutually complementary concepts.

Volume III of *Capital* states on this: 'To say that a commodity has a use-value is merely to say that it satisfies some social need. So long as we dealt with individual commodities only, we could assume that there was a need for a particular commodity – its quantity already implied by its price – without inquiring further into the amount of the need which has to be satisfied. This quantity is, however, of essential importance, as soon as the product of an entire branch of production is placed on one side, and the social need for it on the other. It then becomes necessary to consider the extent i.e. the amount of this social need.'[72]

In other words: The analysis so far has proceeded from a series of simplifying assumptions. First it was assumed that commodities are exchanged at their values, and second, that they always find a buyer. Only in this way was it possible to outline the production and circulation process of capital in pure form, without the influence of disturbing 'accompanying circumstances'. Now is the time, however, to bring into the economic analysis the moment of supply and demand which has so far been neglected, but which must at last be given its due.

As far as supply is concerned, this means, in the first instance, that instead of one individual commodity (or the amount of commodities produced by a single capitalist), we now have to posit the aggregate product of an entire branch of production. For the individual commodity the determination of socially necessary labour-time proceeds from the fact that 'the individual value of the commodity (and what amounts to the same under the present assumption, its selling price) should coincide with its social value'.[73] However, the matter is quite different when it is a question of the aggregate product of a branch of production. Here the requirement of socially necessary labour-time can only apply for the entire mass of commodities; and so consequently the individual value of commodities has to be distinguished from their social value. Social value assumes the form of

[71] See the review of the relevant literature in the instructive study by T.Grigorovici. *Die Wertlehre bei Marx und Lassalle. Beitrag zur Geschichte eines wissenschaftlichen Misverständnisses* 1908. Cf., also Diehl's *Sozialwissenschaftliche Erläuterungen zu D.Ricardos Grundgesetzen*, I, 1905, pp.125-28.
[72] *Capital* III, p.185. The same line of thought can also be found in the *Rough Draft* pp.404-05.
[73] *Capital* III, p.182.

market value, which represents the average value of the sum of commodities, from which, consequently, the individual values of some commodities must always diverge: they must either stand above or below the stated market value.

This is because we can generally distinguish three categories of producers in each branch of production: producers who produce under above-average, average, or below-average conditions. 'Which of the categories has a decisive effect on the average value, will in particular depend on the numerical ratio or the proportional size of the categories.'[47] As a rule this will be the average category. In this case that part of the total amount of commodities produced under the poorer conditions will have to be sold off below their individual value, whereas the commodities produced under the above average can secure an extra amount of profit. However, it may be the case that either the class producing under the better conditions, or that under the worse conditions will predominate. In the first instance the commodities produced under the better conditions will determine the market value; in the second instance, those produced under the poorer conditions.

The determination of market value appears in this way if we look exclusively at the mass of commodities thrown on to the market, ignoring the possibility of an imbalance between supply and demand. Hence, 'provided that the demand is large enough . . . to absorb the whole mass of the commodities at the values which have been fixed [by competition among the buyers] . . . the commodity will still be sold at its market value, no matter which of the three abovementioned cases regulates that market value. The mass of commodities not only satisfies a need but satisfies it to its full social extent.'[75] However, we know that in the capitalist mode of production, 'there exists an accidental rather than a necessary connection between the total amount of social labour applied to a social article . . . on the one hand, and the extent of the demands made by the society for the satisfaction of the need gratified by the article in question, on the other. Every individual article, or every definite quantity of a commodity may, indeed, contain no more than the social labour required for its production, and from this point of view the market value of this entire commodity represents only necessary labour, but if this commodity has been produced in excess of the existing social needs, then so much of the social labour-time is squandered and the mass of the commodity comes to represent a much smaller quantity of

[74] *Theories* II, p.204.
[75] *Capital* III, p.185.

social labour in the market than is actually incorporated in it . . . the reverse applies if the quantity of social labour employed in the production of a certain kind of commodity is too small to meet the social need for that commodity.'[76]

In both cases the 'determination of market value which we [previously] outlined abstractly' is modified, in the sense that 'if the supply is too small, the market value is always regulated by the commodities produced under the least favourable circumstances and if the supply is too large, always by the commodities produced under the most favourable conditions; that therefore it is one of the extremes which determines the market value, in spite of the fact that if we proceed only from the relation between the amounts of the commodity produced under different conditions, a different result should obtain.'[77]

So it can be seen that which of the categories (of producers) determines market value depends not only on their proportional strength, but also, in a certain sense, on the relation of supply and demand. But doesn't this completely invalidate Marx's theory of value? Not at all. This would only be true if each time demand outweighed supply, or vice versa, this led to a proportional increase or fall in market value itself. However, in this case the market value would be identical with market price, or it would – as Marx expressed it – 'have to stand higher than itself'.[78] For, according to Marx's conception, market value can only move within the limits set by the conditions of production (and consequently by the individual value) of one of the three categories.

We read in the section of the *Theories* devoted to ground-rent that: 'A difference between market value and individual value arises in general not because products are sold absolutely above their value, but only because the value of the individual product may be different from the value of the product of a whole sphere . . . The difference between the market value and the individual value of a product can therefore only be due to the fact that the definite quantities of labour with which different parts of the total product are manufactured have different degrees of productivity. It can never be due to the value being determined irrespective of the quantity of labour altogether employed in this sphere.'[79]

Thus, if as a consequence of the market situation, the mass of

[76] *ibid.* p.187.
[77] *ibid.* p.185.
[78] *Theories* II, p.271.
[79] *ibid.* pp.270-71.

commodities is sold above the individual value of the commodities produced under the worst conditions, or alternatively below the individual value of those produced under the best conditions, the market price would indeed diverge from the market value.[80] This regulation of the occasional fluctuations of market price is, of course, the main function allotted to the relation of supply and demand in the system of bourgeois economics.

It is evident that our interpretation of Marx's theory of market value diverges very considerably from that normally presented in marxist literature. The following passage by Grigorovici could serve as an example. ' "If the demand is large enough to absorb commodities at their market value", says Marx, "this commodity will be sold at its market value, no matter which of the three aforementioned cases regulates it. This mass of commodities does not merely satisfy a need, but satisfies it to its full social extent. Should their quantity be smaller or greater, however, than the demand for them, the market price will diverge from the market value", i.e. the market price will exceed or fall below the market value; market price and market value will not coincide.' The author concludes, 'Thus, what affects the relation of supply and demand, or in other words the demand-moment is not a change in market value, but simply a divergence of market price from the market value of the commodity, although in both the first and second cases it seems as if the market value itself has changed, as a result of the change in the relation of supply and demand; because in the first case the commodity produced under the poorer conditions seems to regulate market value, and in the second the commodity produced under the better.'[81]

This then is Grigorovici's view. However, what does the passage from Volume III, which we have already cited in part, actually say on this point?

'Should demand for this mass now also remain the same, this commodity will be sold at its market value, no matter which of the three aforementioned cases regulates this market value . . . Should their quantity be smaller or greater, however, than the demand for them, there will be divergencies between the market price and the market value. And the first divergence is that if the supply is too small, the market value is always regulated by the commodities produced under the least favourable circumstances, and, if the supply

[80] Cf. *ibid.* p.268. 'This market value itself can never be greater than the value of the product of the least fertile class' (the coal-mine). 'If it were higher this would only show that the market price stood above the market value. But the market value must represent real value.'

[81] Grigorovici, *op. cit.* p.37.

is too large, always by the commodities produced under the most favourable conditions; that therefore it is one of the extremes which determines the market value, in spite of the fact that if we proceed only from the relation between the amounts of the commodity produced under different conditions, a different result should obtain.'[82]

The formulation is not at all clear, and consequently can give rise to uncertainties. However, Marx expresses himself more precisely on p.179 of Volume III. He writes: 'At a certain price, a commodity occupies just so much place on the market. This place remains the same in case of a price change only if the higher price is accompanied by a drop in the supply of the commodity, and a lower price by an increase of supply. And if the demand is so great that it does not contract when the price is regulated by the value of commodities produced under the least favourable conditions, *then these determine* the *market value.* This is only possible if demand is greater than usual, or if supply drops below the usual level. Finally, if the mass of the commodities produced exceeds the quantity disposed of at average market values, *the commodities produced under the most favourable conditions regulate the market value.*'

We in no way want to deny that there are passages in Marx which seem to prove the opposite of what has just been said.[83] What is important, however, is not to 'explain' these unclarities away on the basis of a falsely conceived marxist orthodoxy, but rather to understand and interpret the true meaning of Marx's explanations in terms of their 'inner logic'. And we consider that our interpretation of the passages on market value corresponds better with Marx's theory as a whole, in particular with his theory of ground-rent, than the interpretations which are to be found in Grigorovici and others.

However, this is not the place to go into this special problem in detail. Our point was only to show that Marx, in strictly logical fashion, deals with the problem of 'socially necessary labour-time' on two different levels, and that his aim in doing this was to place the moment of social demand, i.e. use-value, in its true light.

In another passage in Volume III we read: 'It continues to be a necessary requirement that the commodity represent use-value. But if the use-value of individual commodities depends on whether they themselves satisfy a particular need, then the use-value of the mass of the social product depends on whether it satisfies the quantitatively determined social need for each particular kind of product

[82] *Capital* III, p.185.

[83] It should not be forgotten, as Engels remarked, that the manuscript for Volume III only represents a 'first extremely incomplete draft'.

in an adequate manner, and whether the labour is therefore proportionately distributed among the different spheres in keeping with these social needs, which are quantitatively circumscribed. . . . The social need, that is the use-value on a social scale, appears here as a determining factor for the amount of total social labour-time which is expended in various specific spheres of production. But it is merely the same law which is already applied in the case of single commodities, namely that the use-value of a commodity is the basis of its exchange-value and thus of its value . . . This quantitative limit to the quota of social labour-time available for the various spheres of production is but a more developed expression of the law of value in general, although the necessary labour-time assumes a different meaning here. Only just so much of it is necessary for the satisfaction of social needs. It is use-value which brings about this limitation.'[84]

And so we can see again how use-value operates as such in the relations of the bourgeois economy, which is based on exchange-value, and consequently how it becomes an economic category itself.

With this last example, we come to the end of our analysis. Future research into Marx will decide whether the extracts which we have cited from the *Rough Draft* prove us correct, and actually lead to a partial revision of previous interpretations of Marx's economic theory, as we believe they must. We can, however, allow ourselves one final remark; that it was clearly Marx's own unique method of analysis which enabled him to elaborate his opposition to Ricardo in such an original and logical fashion. Engels was surely right when he perceived in Marx's treatment of use-value, and its role in political economy, a classic example of the use of the 'German dialectical method'.[85]

[84] *Capital* III, pp.635-36. Cf. *Theories* I, p.204.
[85] See his review of Marx's *Contribution* (1859) in *MEW* Vol.13, p.476.

PART TWO
The First Formulation of Marx's Theory of Money

Preliminary Note

(The relation of the 'Rough Draft' to the 'Contribution' and to Part I of Volume I of 'Capital')

As we have already remarked, Marx himself only managed to publish a relatively small part of the 1857-58 manuscript; in fact, only the Chapter on Money (pp.115-239 of the *Grundrisse*), which was published, after a fundamental re-working, in the *Contribution.* The remainder was left on his writing-desk and was used only sporadically in *Capital* and in the *Theories.*[1]

From the point of view of the subject matter, therefore, the first part of the *Rough Draft* coincides both with the text of the *Contribution,* and with Part I of Volume I of *Capital.* It should therefore be regarded as the first draft of these texts. However, this is not to be taken literally, since, firstly, there is no presentation of the theory of value in the *Rough Draft* (except for a small fragment on pages

[1] We shall refer to examples of this at appropriate points in the present work.

[2] It is of course present in an implicit sense, as the whole of the presentation of the *Rough Draft* is based on Marx's theory of value. One can see how right Marx was to write to Kugelmann on 11 July 1868 in the following terms: 'The unfortunate fellow' (Marx means the reviewer of *Capital* Volume I in *Centralblatt*) 'does not see that even if there were no chapter on "value" at all in my book, the analysis of the real relations which I give would contain the proof and demonstration of the real value relation.' (*Selected Correspondence*, p.196. The reference is to the *Literarisches Centralblatt für Deutschland*, Leipzig where a review of *Capital* was published in July 1 1868.)

881-882);[2] and secondly, the chapter on money in the *Rough Draft* diverges so clearly from later presentations of the theory of money that Marx considered it necessary to rewrite it completely, and take the reworked text as the basis for his 1859 work.[3] As a result, we possess four versions of Marx's chapter on money. These differ in many details, and a comparison between them can therefore contribute vitally to the understanding of this fundamental – but also difficult – section of his work.

[3] See the fragment of the original text (the '*Urtext*') for the *Contribution* which in our opinion should also include pp.666-69, 675-701, 745-62, as well as pp.871-901 (German edition) of the *Grundrisse.* This excludes the beginning of the Chapter on Money.

4.
Critique of the Labour-Money Theory

In contrast to the later versions of Marx's theory of money, the theory as it appears in the *Rough Draft* does not confront us in its finished form; we are able to observe it rather in the process of its formation, as Marx, initially, develops his own conception by means of a critique of the Proudhonist Darimon, and Proudhon's own version of the so-called labour-money theory. As a result this critique requires forty pages in the *Rough Draft*, whereas in his 1859 work[1] Marx confined himself to a short resumé, and in *Capital*[2] to a few footnotes. From a formal standpoint this separation of the actual theory of money from the critique of the labour-money utopia was completely justified; since this utopia still haunts us even today in the form of the doctrine of free credit, the pages from the *Rough Draft*, which were later eliminated, are particularly interesting for us.

The Proudhonists declared that the principal evil of our social organisation sprang from the 'privilege' of money, from the hegemony which the precious metals enjoyed in the circulation of commodities and economic life as a whole. Here lay the real source of the unequal exchange between capital and labour, of usury, and of general economic crises. Consequently, the main task was to break the mastery usurped by gold and silver, bring them down to the level of the rabble, the ordinary commodities, and thus restore the 'natural' equality and proportionality of exchange.

Of course the Proudhonists were far from suggesting a return to direct barter. They knew that present-day commodity production requires a general means of exchange. However, couldn't money be robbed of its privileges, they asked, or rather, couldn't all commodities be made directly exchangeable, that is, be made into money?

The dethroning of money could be conceived of in many ways;

[1] See *Contribution*, pp.85-86.

[2] Cf. *Capital* I, note 26 p.161 (note 1 p.68); note 4 p.181 (note 1 p.87); note 1 pp.188-89 (note 1 pp.94-95).

first, gold and silver could be retained as money, but in such a way that they directly represent the labour-time embodied in them. 'Suppose for example that the sovereign were not only called a sovereign, which is a mere honorific for the xth fraction of an ounce of gold (accounting name), in the same way that a metre is the name for a certain length, but were called say x hours of labour-time. 1/x ounce of gold is in fact nothing more than 1/x hours of labour-time, materialised, objectified. But gold is labour-time accumulated in the past, labour-time defined. Its title would make a given quantity of labour as such into its standard. The pound of gold would have to be convertible into x hours of labour-time, would have to be able to purchase it at any given moment; as soon as it could buy a greater or lesser amount it would be appreciated or depreciated; in the latter case its convertibility would have ceased. What determines value is not the amount of labour-time incorporated in products, but rather the amount of labour-time necessary at a given moment. Take the pound of gold itself; let it be the product of 20 hours' labour-time. Suppose that for some reason it later requires only 10 hours to produce a pound of gold. The pound of gold whose title advises it that it equals 20 hours' labour time would now merely equal 10 hours' labour-time, since 20 hours' labour-time are equal to 2 pounds of gold. Ten hours of labour are in practice exchanged for 1 pound of gold; hence 1 pound of gold cannot any longer be exchanged for 20 hours' labour-time . Gold money with the plebeian title "x hours of labour" would be exposed to greater fluctuations than any other sort of money and particularly more than the present gold money, because gold cannot rise or fall in relation to gold (it is equal to itself), while the labour-time accumulated in a given quantity of gold, in contrast, must constantly rise or fall in relation to present living labour-time. In order to maintain its convertibility, the productivity of labour-time would have to be kept stationary. Moreover, in view of the general economic law that the costs of production constantly decline, that living labour constantly becomes more productive, hence that the labour-time objectified in products constantly depreciates, the inevitable fate of this golden labour-money would be constant depreciation.'[3]

However, Marx continues, in order to control this evil, paper labour-money could be introduced instead of gold ('as Weitling suggested, and before him the English, and after him the French'). 'The labour-time incorporated in the paper itself would then have as little relevance as the paper value of banknotes . . . If the hour

[3] *Grundrisse*, pp.134-35.

of labour becomes more productive then the chit of paper which represents it would rise in purchasing power and vice versa – exactly as a £5 note at present buys more or less depending on whether the relative value of gold in comparison to other commodities rises or falls. According to the same law which would subject golden labour-money to a constant depreciation, paper labour-money would enjoy constant appreciation!' But that does not matter, exclaim the Proudhonists, 'that is exactly what we are after; the worker would reap the joys of the rising productivity of his labour, instead of creating proportionately more alien wealth and devaluing himself as at present . . . Unfortunately there arise some small scruples. First of all; if we once presuppose money, even if it is only time-chits, then we must also presuppose the accumulation of this money, as well as contracts, obligations, fixed burdens etc. which are entered into in the form of this money. The accumulated chits would constantly appreciate together with the newly issued ones, and thus on the one hand the rising productivity of labour would go to the benefit of non-workers, and on the other hand the previously contracted burdens would keep step with the rising yield of labour.'[4] In this way the exploitation of living labour through accumulated labour, interest, crises – in short all the evils which the Proudhonists wanted to overcome by means of their reform of money, would arise again in new forms!

Thus, the substitute-money of the Proudhonists – considered as a social panacea – would come to grief on the law of the increasing productivity of labour.[5] It is of course true that the appreciation of the time-chits 'would be quite irrelevant, if the world could be re-started from the beginning every instant', and therefore, if the obligations which had been entered into never survived the changing value of the labour-money. But since this isn't the case, the labour-money is purely utopian. What its advocates want is to eliminate the over-valuation of money which occurs in crises,[6] and secure for each small

[4] *ibid.* pp.135-36.

[5] Cf. Marx's polemic against the labour-money proposal of the English utopian socialist Bray, in *Poverty of Philosophy*, pp.69-74.

[6] We read in the *Rough Draft* that the Proudhonists in fact 'see only one aspect which surfaces during crises: the appreciation of gold and silver in relation to nearly all other commodities; they do not see the other side, the *depreciation* of gold and silver or of *money* in relation to all other commodities (labour perhaps, not always, excluded) in periods of so-called *prosperity*, periods of a temporary general rise of prices. Since this depreciation of metallic money . . . always precedes its appreciation, they ought to have formulated the problem the other way around: how to prevent the periodic depreciation of money (in their language, to abolish the privileges of commodities in relation to money). In this latter formulation the problem would have reduced itself to: how to overcome the rise and fall of prices. The way to do this: abolish prices. And how? By doing away with exchange-value. But this problem arises: exchange corresponds to the bourgeois organisation of society. Hence one last problem: to revolutionise bourgeois society economically. It would then have been self-evident from the outset that the evil of bourgeois society is not to be remedied by "transforming" the banks or by founding a rational "money system".' (*Grundrisse*, p.134.)

commodity producer and commodity seller a 'just' price for his commodity. It should be possible not only to convert money into commodities at any time, but also commodities into money – which is naturally only possible if prices coincide exactly with values, that is, with the amounts of labour embodied in the commodities. We come here to the second fundamental error of the advocates of the labour-money theory, or – as Marx named them – the 'time-chitters'; namely, that they lump together value and price, and fail to understand the necessary antagonism of these two forms.

In fact, 'the value (the real exchange-value) of all commodities . . . is determined by their cost of production, in other words by the labour-time required to produce them. Their *price* is this exchange-value of theirs, expressed in money.' So, in the first instance, the distinction between value and price appears purely nominal. 'But such is by no means the case. The value of commodities as determined by labour-time is only their average value. This average appears as an external abstraction if it is calculated out as the average figure of an epoch e.g. 1 lb of coffee equals 1s. if the real average price of coffee is taken over 25 years; but it is very real if it is at the same time recognised as the driving force and the moving principle of the oscillations which commodity prices run through in a given epoch[7] . . . The market value[8] is always different, is always below or above this average value of a commodity. Market value equates itself with real value by means of its constant oscillations, never by means of an equation with real value as if the latter were a third party, but rather by means of a constant non-equation of it-

[7] Marx adds: 'This reality is not merely of theoretical importance; it forms the basis of mercantile speculation, whose calculus of probabilities depends both on the median price averages which figure as the centre of oscillation, and on the average peaks and troughs of oscillation above or below this centre.' (*Grundrisse*, p.137.)

[8] The concept of market value here means something different from its meaning in *Capital* III – here it is identical with price. (See pp.91-95 above.)

self[9] . . . Price therefore is distinguished from value not only as the nominal from the real; not only by way of the denomination in gold and silver, but because the latter appears as the law of the motions which the former runs through. But the two are constantly different and never balance out, or balance only coincidentally and exceptionally. The price of a commodity constantly stands above or below the value of a commodity, and the value of the commodity itself exists only in this up-and-down movement of commodity prices. Supply and demand constantly determine the prices of commodities; never balance, or only coincidentally; but the cost of production, for its part, determines the oscillations of supply and demand. . . . On the assumption that the production costs of a commodity and the production costs of gold and silver remain constant, the rise or fall of its market price means nothing more than that a commodity equals x labour-time, constantly commands more or less than x labour-time on the market, that it stands above or beneath its average value as determined by labour-time.' And it is precisely for this reason that the time-chit representing average labour-time would 'never correspond to or be convertible into actual labour-time.'[10]

Thus, whereas the previous objection to the labour-money theory proceeded from the fact that the law of rising productivity has to lead to the continual depreciation of commodities against time-chits, and as a consequence must result in the inconvertibility of the time-chits, this same inconvertibility, about which Marx is now talking, 'is nothing more than another expression for the inconvertibility between real value and market value, between exchange-value and price. In contrast to all other commodities, the time-chit would represent an ideal labour-time which would be exchanged sometimes against more and sometimes against less of the actual variety, and which would achieve a separate existence of its own in the time-chit, an existence corresponding to this non-equivalence. The general equivalent, medium of circulation and measure of commodities would again confront the commodities in an individual[11] form, following its own laws, alienated,[12] i.e. equipped with all the properties of

[9] Marx remarks here 'as Hegel would say, not by way of abstract identity, but by constant negation of the negation, i.e. of itself as negation of real value'.

[10] *Grundrisse*, pp.137-39.

[11] Cf. *ibid.* p.218. 'With money, general wealth is not only a form, but at the same time the content itself. The concept of wealth, so to speak, is realised, individualised in a particular object.'

[12] In any kind of money, 'the exchange relation establishes itself as a power external to and independent of the producers'. *ibid.* p.146.

money as it exists at present but unable to perform the same services. The medium with which commodities – these objectified quantities of labour-time – are compared would not be a third commodity but would rather be their own measure of value, labour-time itself; as a result the confusion would reach new heights altogether.' For it is precisely 'the difference between price and value, between the commodity measured by labour-time whose product it is, and the product of the labour-time against which it is exchanged . . . [which] . . . calls for a third commodity to act as a measure in which the real exchange-value of commodities is expressed. Because price is not equal to value . . . the value-determining element – labour-time – cannot be the element in which prices are expressed, as labour-time would then have to express itself simultaneously as the determining and the non-determining element, as the equivalent and non-equivalent of itself.' (Marx adds here: 'at the same time it becomes clear how and why the value relation obtains a separate material existence in the form of money',[13] in other words, why the circulation of commodities must lead on to the development of money.) The time-chitters naturally imagine 'that by annulling the nominal difference between real value and market value, between exchange-value and price – that is, by expressing value in units of labour-time itself instead of in a given objectification of labour time, say gold and silver – that in doing so they also remove the real difference and contradiction between price and value. Given this illusory assumption it is self-evident that the mere introduction of the time-chit does away with all crises, all faults of bourgeois production. The money price of commodities = their real value; demand = supply; production = consumption; money is simultaneously abolished and preserved; the labour-time of which the commodity is the product, which is materialised in the commodity, would need only to be measured in order to create a corresponding mirror-image in the form of a value-symbol, money, time-chits. In this way every commodity would be directly transformed into money; and gold and silver, for their part, would be demoted to the rank of all other commodities.'[14]

[13] *ibid.* p.140.

[14] *ibid.* p.138. Cf. *ibid.* p.126, 'This is the last analysis to which Darimon reduces the antagonism. His final judgement is; abolish the privilege of gold and silver, degrade them to the rank of other commodities. Then you no longer have the specific evils of gold and silver, or of notes convertible into gold and silver. You abolish all evils. Or better elevate all commodities to the monopoly position now held by gold and silver. Let the Pope remain, but make everybody Pope.'

We can now see how much of the 'Degradation of Money and the Exaltation of the Commodity' propagated by Proudhon and others, was based on an 'elementary misunderstanding of the inevitable correlation existing between commodity and money'.[15] They failed to understand that any circulation of commodities is bound to lead to the development of money, and therefore that it is impossible 'to abolish money itself as long as exchange-value remains the social form of products'.[16] Perhaps it is possible, however, to overcome the drawbacks of labour-money, which have already been described, by means of the establishment of a 'central exchange bank', so that an element of social planning steps into the place of the anarchic forces of the market?

Indeed, Marx answers: 'If the preconditions under which the price of commodities = their exchange-value are fulfilled, and if we assume the following: balance of supply and demand; balance of production and consumption; and, what this amounts to in the last instance, proportionate production . . . then the money question becomes entirely secondary, in particular the question whether the tickets should be blue or green, paper or tin, or whatever other form social accounting should take. In that case it is totally meaningless to keep up the pretence that an investigation is being made of the real relations of money.'[17]

Let us then imagine a bank which issues time-chits, which at the same time buys – at their cost of production – the commodities of individual producers. The bank would then be the 'general buyer, the buyer not only of this or that commodity but of all commodities', because only in this way could labour-money gain general acceptance. 'But if it is the general buyer then it also has to be the general seller; not only the dock where all the wares are deposited, not only the general warehouse, but also the owner of the commodities, in the same sense as every merchant.' Accordingly, 'a second attribute of

[15] *Contribution*, p.86.

[16] *Grundrisse*, p.144.

[17] *ibid.* p.153. Cf. *Capital* I, p.188 (94) note 1 'On this point I will only say further that Owen's "labour-money", for instance, is no more "money" than a theatre ticket is. Owen presupposes directly socialised labour, a form of production diametrically opposed to the production of commodities. The certificate of labour is merely evidence of the part taken by the individual in the common labour, and of his claim to a certain portion of the common product which has been set aside for consumption. But Owen never made the mistake of presupposing the production of commodities, while, at the same time, by juggling with money, trying to circumvent the necessary conditions of that form of production.'

the bank would be necessary; it would need the power to establish the exchange-value of all commodities i.e. the labour-time materialised in them, in an authentic manner'[18] ('which incidentally isn't as simple as testing the fineness and weight of gold and silver,' adds Marx). However, 'its functions could not end here. It would have to determine the labour-time in which commodities could be produced, with the average means of production available in a given industry . . . but even that would not be sufficient. It would not only have to determine the time in which a certain quantity of goods had to be produced, and place the producers in conditions which made their labour equally productive (i.e. it would have to balance and arrange the distribution of the instruments of labour), but it would also have to determine the amounts of labour-time to be employed in the different branches of production. (The latter would be necessary because in order to realise exchange-value and make the bank's currency really convertible, social production in general would have to be stabilised and arranged so that the needs of the partners in exchange were always satisfied.)' However, 'this is not all. The biggest exchange process is not that between commodities, but between commodities and labour . . . the workers would not be selling their labour to the bank' but rather, according to the dogma of the Proudhonists, 'they would receive the exchange-value for the entire product of their labour etc. Viewed precisely then, the bank would not only be the general buyer and seller, but also the general producer. In fact, it would be either a despotic ruler of production and a manager of distribution, or indeed nothing more than a board which keeps the books and accounts for a society producing in common',[19] (that is, a socialist planning agency). But in that case the Proudhonist ideal of a 'just exchange of commodities' would be turned into its opposite.

Marx concludes, 'Here we have reached the fundamental question . . . Can the existing relations of production and the relations of distribution which correspond to them be revolutionised by a change in the instrument of circulation, in the organisation of circulation? Further question: Can such a transformation of circulation be undertaken without touching the existing relations of production and the social relations which rest on them? If every such transformation of circulation presupposes changes in the other conditions of

[18] Rodbertus also presupposes, for his 'constituted value' and his labour-money, 'a correct calculation, balancing and fixing of the quantities of labour contained in the products to be exchanged'. C.Rodbertus-Jagetzow, *Schriften*, Vol.II, p.65.

[19] *Grundrisse*, pp.154-56.

production and social upheavals, there would naturally follow from this the collapse of the doctrine which proposes tricks of circulation as a way of, on the one hand, avoiding the violent character of these social changes and, on the other, of making these changes appear not to be a presupposition but a gradual result of the transformations in circulation.'[20] 'It must by now have become entirely clear that this is a piece of foolishness as long as exchange-value is retained as the basis, and that, moreover, the illusion that metallic money allegedly falsifies exchange arises out of a total ignorance of its nature. It is equally clear on the other hand that to the degree to which opposition against the ruling relations of production grows, and these latter themselves push ever more forcibly to cast off their old skin—to that degree polemics are directed against metallic money or money in general, as the most striking, most contradictory and hardest phenomenon which is presented by the system in a palpable form. One or another kind of artful tinkering with money is then supposed to overcome the contradictions of which money is merely the perceptible appearance. Equally clear that some revolutionary operations can be performed with money, insofar as an attack on it seems to leave everything else as it was, and only to rectify it.[21] Then one strikes a blow at the sack, intending the donkey. However as long as the donkey does not feel the blow on the sack one hits in fact only the sack and not the donkey. As soon as he feels it one strikes the donkey and not the sack. As long as these operations are directed against money as such, they are merely an attack on consequences whose causes remain unaffected; i.e. disturbance of the productive process, whose solid basis then also has the power, by means of a more or less violent reaction . . . to dominate these.'[22]

So much, then, on Marx's critique of the labour-money utopia.[23]

[20] *ibid.* p.122.

[21] Cf. a similar judgement by Marx on Proudhon's theory of interest. He wrote to Schweitzer on 24 January 1865, saying: 'That under certain economic and political conditions the credit system can be used to accelerate the emancipation of the working class, just as, for instance, at the beginning of the nineteenth century in England, it facilitated the transfer of wealth from one class to another, is unquestionable and quite self-evident. But to regard interest-bearing capital as the main form of capital and to try to make a particular form of the credit system, comprising the alleged abolition of interest, the basis for a transformation of society, is an out-and-out petty-bourgeois fantasy.' (*Selected Correspondence*, p.147.)

[22] *Grundrisse*, p.240.

[23] We have left out of account Marx's critique of Proudhon's theory of crises, which he also makes in this context.

It can be seen that the objections he makes to it are already contained, for the most part, in his own theory of money. In fact they form a very important element of it – namely his theory of the development of money. We should therefore turn to the study of this theme as it is set out in detail in Marx's manuscript.

5.
'Transition from Value to Money'*

1. *The necessity of the formation of money*

'The difficulty', wrote Marx in *Capital*, 'lies not in comprehending that money is a commodity, but in discovering how, why and by what means a commodity becomes money.'[1] The problem is, therefore, that of unearthing the hidden seed of the development of money in the most simple, elementary exchange relation of the commodity.

Those readers who are acquainted with Marx's *Capital* will know that it is precisely this problem which constitutes the main theme of the analysis of the 'simple', total' and 'general' value-form in Volume I of the work. However, the answer to this question can already be found, in essence, in the *Rough Draft*.[2]

Let us recall the stumbling-blocks which, in Marx's view, stand in the way of any form of labour-money. First, the law of the rising productivity of labour, which would lead to a constant depreciation of all commodities in relation to the 'time-chits'. Second, the necessary incongruence 'of real value and market value' of 'value and price'; i.e. the fact that the actual labour-time objectified in the individual commodity cannot directly coincide with general or average labour-time, which is inherent in the concept of value. At this point we have to pick up the thread of Marx's argument once again.

We know that the products of labour are only values insofar as they count as embodiments of the same social substance, general human labour. However, labour 'does not exist in the form of a general object of exchange which is independent of and separate from the particular natural characteristics of commodities'.[3]

* See Marx's *Index zu den 7 Heften* in *Grundrisse*, German edn. p.855.

[1] *Capital* I, p.186 (92).

[2] Marx already pointed out that 'money is the first real form of exchange of value as value', and consequently that 'exchange had to individualise exchange-value through the creation of a particular means of exchange' in his first economic writings of 1844. (*MEGA* III, p.532), and also in the *Poverty of Philosophy*, p.81. However this line of reasoning was not developed in detail and firmly established until the *Rough Draft*.

[3] *Grundrisse*, p.168.

It is the labour of individuals, exhibiting different degrees of intensity and skill, definite concrete labour, 'which assimilates particular natural materials to particular human requirements'.[4] As such it is objectified 'in a definite particular commodity, with particular characteristics, and particular relations to needs'; whereas as general human labour, as value, it should be embodied 'in a commodity which expresses no more than its quota or quantity, which is indifferent to its own natural properties, and which can therefore be metamorphosed into – i.e. exchanged for – every other commodity which objectifies the same labour-time'.[5] In other words: 'The commodity, as it comes into being, is only objectified individual labour-time of a specific kind, and not *universal* labour-time. The commodity is thus *not* immediately exchange-value, but has still to *become* exchange-value.' However, 'how is it possible to present a particular commodity directly as *objectified universal* labour-time, or – which amounts to the same thing – how can the individual labour-time objectified in a particular commodity directly assume a universal character?'[6]

And what applies to living labour also applies to objectified labour, i.e. to the commodity itself. 'Two commodities, e.g. a yard of cotton and a measure of oil, are different by nature, have different properties, are measured by different measures, are incommensurable.' On the other hand, as values 'all commodities are qualitatively equal and differ only quantitatively, hence can be measured against each other and substituted for one another in certain quantitative relations. Value is their social relation,[7] their economic quality.' It 'presupposes social labour as the substance of all products, disregarding their natural qualities . . . 'A book which possesses a certain

[4] *Capital* I, p.133 (42).

[5] *Grundrisse*, p.168.

[6] *Contribution*, pp.43, 46.

[7] It does not of course follow from the fact that the 'objective character' of commodities 'as values is purely social', *Capital* I, p.138 (4) that they have no material existence independently of the knowledge or volition of men. Thus, in *Theories* III, p.163, Mary says, 'These same circumstances, independent of the mind, but influencing it, which compel the producers to sell their products as commodities . . . provide their products with an exchange-value which (also in their mind) is independent of their use-value. Their "mind", their consciousness, may be completely ignorant of, unaware of the existence of what in fact determines the value of their products or their products as values. They are placed in relationships which determine their thinking but they may not know it. Anyone can use money as money without necessarily understanding what money is. Economic categories are reflected in the mind in a very distorted fashion.'

value and a loaf of bread possessing the same value are exchanged for one another, are the same value but in a different material.' Hence, as value, 'the commodity is an equivalent . . . the general measure, as well as the general representative, the general medium of exchange of all other commodities. As value it is money.'

However, precisely 'because commodities as values are different from one another only quantitatively . . . the natural distinctness of commodities must come into contradiction with their economic equivalence', and so their value has to achieve 'an existence which is qualitatively distinguishable' from them. For, 'as a value every commodity is divisible; in its natural existence this is not the case. As a value it remains the same no matter how many metamorphoses and forms of existence it goes through; in reality, commodities are exchanged only because they are not the same and correspond to different systems of needs. As a value the commodity is general; as a real commodity it is particular. As a value it is always exchangeable; in real exchange it is exchangeable only if it fulfils particular conditions. As a value, the measure of its exchangeability is determined by itself; exchange-value expresses precisely the relation in which it replaces other commodities; in real exchange it is exchangeable only in quantities which are linked with its natural properties and which correspond to the needs of the participants in exchange. (In short, all properties which may be cited as the special qualities of money are properties of the commodity as exchange-value;[8] of the product as value as distinct from the value as product.)'[9] Hence, what originally appeared as a contradiction between general and individual labour-time, now confronts us as a con-

[8] Marx often used the expression 'exchange-value' in the *Grundrisse* (and also, as we have just seen, in the *Theories*), where later he would have simply spoken of 'value'. What he wrote in *Capital* I therefore also applies here: 'When, at the beginning of this chapter, we said in the customary manner that a commodity is both a use-value and an exchange-value, this was, strictly speaking, wrong. A commodity is a use-value or object of utility, and a "value". It appears as the twofold thing it really is as soon as its value possesses its own particular form of manifestation, which is distinct from its natural form. This form of manifestation is exchange-value and the commodity never has this form when looked at in isolation, but only when it is in a value relation or an exchange relation with another commodity of a different kind. Once we know this, our manner of speaking does no harm; it serves rather as an abbreviation.' (*Capital* I, p.152 (60).)

[9] *Grundrisse*, pp.141-42. Cf. Marx's letter to Engels, 2 April 1858. 'From the contradiction between the general character of value and its material existence in a particular commodity etc. – these general characteristics are the same that later appear in money – arises the category of money.' (*Selected Correspondence*, p.98.)

tradiction between the general character of the commodity as value, and its particular character as use-value. And Marx goes on to say that this open contradiction 'can only be solved through itself becoming *objectified*'; by the commodity 'doubling itself' in the course of real exchange, i.e. by obtaining 'in *money*, a form of social existence separated from its natural existence'.[10]

Note well, however, this only happens in real exchange. For, as long as all that is required is the determination of value, the only problem is to discover the general value-substance of commodities, the 'immanent measure of value', which forms the basis of the exchange relation.[11] When I exchange two commodities with each other 'I equate each of the commodities with a third i.e. not with themselves. This third which differs from them both . . . since it expresses a relation' is their value; the commodity, 'has first to be converted into labour-time, as something qualitatively different from it' before it can be compared at all with other commodities.

'On paper, in the head, this metamorphosis proceeds by means of mere abstraction; but in the real process of exchange a real *mediation*[12] is required . . . this abstraction has in its turn to be objectified.'[13] However, this can only occur in the relation of commodity to commodity, since the owners of commodities do not stand in some form of communal association as producers, but can only relate to one another through the medium of their products. Consequently the only thing which can become the expression of the value of a commodity is another commodity (similarly the weight of a sugar-loaf can only be expressed through the weight of another solid, for example, iron[14]). Hence, it is not sufficient for the commodity to 'possess a double existence [merely] in the head'. This 'doubling in the idea proceeds (and must proceed) to the point where the commodity appears as double in real exchange; as a natural product on one side, as exchange-value on the other. That is, the commodity's

[10] *Grundrisse*, p.145.

[11] The 'immanent measure of value' should in no way be confused with the 'invariable measure of value', which some of the Classical economists looked for in vain. This is because the commodity which serves as an external measure of value must, as Marx showed, be able to vary its value since, 'only as a materialisation of labour-time can it become the equivalent of other commodities, but as a result of changes in the productivity of concrete labour the same amount of labour-time is embodied in unequal volumes of the same type of use-value'. *Contribution*, p.67; Cf. *Theories* III, pp.133-34.

[12] On the category of 'mediation', borrowed from Hegel, see Lukacs, *History and Class Consciousness*, pp.162-64.

[13] *Grundrisse*, pp.142, 143-44.

[14] Cf. *Capital* I, pp.148-49, (56-57).

exchange-value obtains a material existence separate from the commodity', i.e. it achieves independence in the shape of money.[15]

As consistent as this derivation of money may seem, it involved, initially, certain hesitations which are evident in the *Rough Draft*. For Marx, as also for Lassalle, who had learnt from Hegel, it was an obvious step to take to view money as the embodiment of value in the sense of 'the Ideal, the Universal, the One', in contrast to commodities, which in Hegelian terms represented 'the Real, Particularity, the Many'.[16] And, like Lassalle, Marx too was at first inclined, for just this reason, to regard money as a mere sign of value, 'simply the ideal unity or expression of value of all the real products in circulation'.[17] (We may also detect here the influence of Ricardo's theory of money, with its one-sided emphasis on the function of money as a means of circulation, where it does in fact appear as a mere sign of value.) Hence we can find numerous passages in the *Rough Draft*, especially Notebooks I and II, which treat money in general (and not just paper money), as a mere sign of value or a 'symbol'. We can read there for example: 'The product becomes a commodity i.e. a mere moment of exchange. The commodity is transformed into exchange-value. In order to equate it with itself as an exchange-value, it is exchanged for a symbol which represents it as exchange-value as such. As such a symbolised exchange-value, it can then in turn be exchanged in definite proportions for every other commodity.'[18] Of course, even in this part of the text Marx repeatedly emphasises that 'even if only a sign' money 'must consist of a particular commodity', and that consequently paper money can in no way directly express the value of commodities, but must rather function constantly as the representative of gold currency.[19] However the way he expressed himself in Notebook I of the *Rough Draft*,

[15] *Grundrisse*, p.145.

[16] See Marx's letter to Engels, 1 February 1858, where he comments on Lassalle's book on Heraclitus. (*Selected Correspondence*, pp.94-95.) Cf. Hegel's *Philosophy of Right*: 'If we consider the concept of value, we must look upon the thing itself only as a symbol; it counts not as itself but as what it is worth.' (Cited in *Capital* I, p.185 (91).)

[17] Lassalle, *Die Philosophie Herakleitos des Dunklen von Ephesos*, 1858, Vol.I, p.224, cited by Lenin in *Collected Works*, Vol.38, p.325. On the previous page of Lenin's *Philosophical Notebooks* we read: 'In this connection Lassalle writes about value . . . expounding it in the Hegelian manner (as "separated abstract unity") and adding: . . . "that this unity, money, is not something *actual* but something *merely* ideal (Lassalle's italics) is evident from the fact" etc . . .' Lenin notes in the margin: 'Incorrect (Lassalle's idealism)'.

[18] *Grundrisse*, p.145.

[19] *ibid.* p.167ff.

saying that money not only 'represents', but also 'symbolises'[20] the value of commodities, stands in glaring contrast to the real meaning of Marx's theory of money, and as a consequence had to be dropped later. This took place in the *Contribution*,[21] and after that we can find no trace of this 'symbol theory' in Marx's work.

So much then on the dialectical derivation of money from value as it exists in the *Rough Draft*. To the reader who is not acquainted with Marx's theory this derivation might appear 'contrived' – an example of an empty 'dialectic of concepts', which endows economic categories with a life of their own, and, in truly Hegelian fashion, lets them originate from and pass over into one another. One interesting incidental remark in the *Rough Draft* illustrates how easily such an impression can arise, and also shows that Marx himself allowed for the possibility of such a misinterpretation. He writes: 'It will be necessary later, before this question is dropped, to correct the idealist manner of its presentation, which makes it seem as if it were merely a matter of conceptual determinations and of the dialectic of these concepts. Above all in the case of the phrase: product (or activity) becomes commodity; commodity, exchange value; exchange-value, money.'[22] In other words: the reader should not imagine that

[20] Cf. *ibid.* p.167. 'From the fact that the commodity develops into general exchange-value, it follows that exchange-value becomes a specific commodity: it can do so only because a specific commodity obtains the privilege of representing, symbolising, the exchange-value of all other commodities; i.e. of becoming money.' (The error here is clearly that of equating the concepts 'representing' and 'symbolising'.)

[21] Cf. the following passage where Marx remarks (in a polemic against himself as it were): 'Money is not a symbol, just as the existence of a use-value in the form of a commodity is no symbol. A social relation of production appears as something existing apart from individual human beings, and the distinctive relations into which they enter in the course of production in society appear as the specific properties of a thing – it is this perverted appearance, this prosaically real, and by no means imaginary, mystification that is characteristic of all social forms of labour positing exchange-value. This perverted appearance manifests itself merely in a more striking manner in money than it does in commodities.' (*Contribution*, p.49.) See also the polemical note in *Capital* I, p.200 (105), according to which Lassalle 'erroneously makes money a mere symbol of value', and *ibid.* pp.185-86 (91-92).

[22] *Grundrisse*, p.151. In our opinion the necessity for such a 'correction' prompted Marx to begin his analysis in the *Contribution* with the commodity, and not with value, as he originally intended (i.e. his plan of 2 April 1858). Cf. Marx's marginal note on Kaufmann's *Theorie der Preischwankungen* published in Kharkov: 'The mistake generally is to proceed from value as the highest category instead of from the concrete, the commodity . . . Yes, but not the single man, and not as abstract being . . . The error – to proceed from man as a thinker, and not as an actor . . .' *Karl Marx Album*, 1953, p.115.

economic categories are anything other than the reflections of real relations, or that the logical derivation of these categories could proceed independently of their historical derivation. On the contrary – the logical method of approach (as Engels wrote in his review of the *Contribution* in 1859), 'is indeed nothing other than the historical method, only stripped of the historical form and of disturbing accidental occurrences. The point where this history begins must also be the starting-point of the train of thought, and its further progress will be simply the reflection, in abstract and theoretically consistent form, of the course of history. Though the reflection is corrected, it is corrected in accordance with laws provided by the actual course of history, since each factor can be examined at the stage of development where it reaches its full maturity, its classical form.'[23] That this was Marx's method from the outset can be seen best of all in the numerous passages in the *Rough Draft*, in the *Contribution* and in *Capital* which provide – parallel to the logical derivation of value and money – a historical derivation of these same concepts, in which Marx confronts the results of his abstract analysis with actual historical development.

Naturally, Marx could not share Adam Smith's naively ahistorical conception which derived exchange relations from a supposedly innate 'propensity to consume'.[24] He rejects the 'unimaginative notion' of an individual producer of bows in a primitive hunting tribe, who makes it his principal task to exchange bows and arrows for cattle and game, and thus lays the foundation stone of the social division of labour.[25] For Marx, the individual producer of commodities is rather the end result of a very long process of historical development. Exchange was certainly 'one of the principal agents of this individualisation', but it presupposes a certain level of the productivity of labour which by no means existed from the outset.

Our starting point should be natural communities, 'as they originally emerged from the animal kingdom – still powerless before the forces of nature, and as yet unconscious of their own; hence as poor as the animals, and hardly more productive' (Engels). The human being produces here 'no more than he immediately requires. The limit of his needs is the limit of production . . . in this case no exchange takes place or exchange is reduced to the exchange of his

[23] Engels, *MEW* Vol.13, p.475.

[24] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* [1776], New York 1937, p.13.

[25] Notebooks on Smith, in *Collected Works*, Vol.3, London: Lawrence & Wishart 1975.

labour for the product of his labour, and this exchange is the latent form, the germ, of real exchange.'[26]

The turning point comes as soon as people are able to produce more than they need for their daily subsistence, as soon as their labour provides a 'surplus-product'. Now an exchange of products can take place, not, in the first instance, within the confines of natural communities themselves, 'but on their margins, on their borders, the few points where they come into contact with other communities'.[27] But this primitive barter is still far removed from real exchange, with money as its medium. In fact it represents – even where exchange encompasses an entire range of products – 'much more the beginning of the transformation of use-values into commodities than the transformation of commodities into money'. In this situation exchange-value has not acquired an independent form, 'but is still directly tied to use-value. This is manifested in two ways. Use-value, not exchange-value, is the purpose of the whole system of production, and use-values accordingly cease to be use-values and become means of exchange or commodities, only when a larger amount of them has been produced than is required for consumption. On the other hand, they become commodities only within the limits set by their immediate use-value, even when this function is polarised so that the commodities to be exchanged by their owners must be use-values for both of them, but each commodity must be a use-value for its non-owner.'[28]

This is therefore the point at which the '*contradiction between use-value and exchange-value* which is contained in the commodity' clearly emerges. 'For example, commodities as use-values are not divisible at will, a property which as exchange-values they should possess. Or it may happen that the commodity belonging to A may be a use-value required by B; whereas B's commodity may not have any use-value for A. Or the commodity owners may need each other's commodities but these cannot be divided and their relative exchange-

[26] See *Collected Works*, Vol.3, p.224. The last sentence should be understood in the sense that in the actual exchange of goods (to the extent that it is an exchange of equivalents), each partner receives as equivalent for his goods only an amount corresponding to the product of his own labour.

[27] *Contribution*, p.50. Inherent in the concept of exchange is that each of the participants purchases, in return for his own product, one in someone else's possession. 'But this relationship of reciprocal isolation and foreignness does not exist for the members of a primitive community of natural origin.' Only later, 'as soon as products become commodities in the external relations of a community do they also, by reaction, become commodities in the internal life of the community'. (*Capital* I, p.182 (87).)

[28] *Contribution*, p.50.

values are different.'[29] (Or, we could add, they may not need them at the same time.) In all such instances no exchange will take place, since the natural characteristics of the commodities contradict their general character as value. In order to overcome this difficulty the product, as exchange-value, has to free itself from its natural incommensurability with other products and acquire a 'value-form independent of its own use-value, or of the individual need of the exchanger'.

Marx continues: 'The problem and the means for its solution arise simultaneously. Commercial intercourse, in which the owners of commodities exchange and compare articles with various other articles, never takes place unless different kinds of commodities belonging to different owners are exchanged for, and equated as values with, one single further kind of commodity. This further commodity, by becoming the equivalent of various other commodities, directly acquires, though within narrow limits, the form of a universal or social equivalent. The universal equivalent form comes and goes with the momentary social contacts which call it into existence. It is transiently attached to this or that commodity in alternation. But with the development of exchange it fixes itself firmly and exclusively onto particular kinds of commodity i.e. it crystallises out into the *money-form*.'[30]

'At the beginning that commodity will serve as money . . . which is most frequently exchanged and circulated as an object of consumption . . . i.e. which represents within the given social organisation wealth *par excellence* . . . Thus salt, hides, cattle,[31] slaves . . . It is the particular usefulness of the commodity, whether as a particular object of consumption (hides) or as a direct instrument of production (slaves), which stamps it as money in these cases. In the case of further development precisely the opposite will occur i.e. that commodity which has the least utility as an object of consumption or instrument of production will best serve the needs of *exchange as*

[29] *ibid.* p.51.

[30] *Capital* I, pp.182-83 (103).

[31] 'Nomadic peoples are the first to develop the money-form, because all their worldly possessions are in a movable, and therefore directly alienable form; and because their mode of life, by continually bringing them into contact with foreign communities, encourages the exchange of products.' (*ibid.* p.183 (88).)

In his review of L.H.Morgan's famous book *Ancient Society*, written much later, Marx called attention to Morgan's idea that 'the possession of domesticated animals – which are capable of infinite multiplication – gave the first idea of wealth to the human mind'.

such. In the former case, the commodity becomes money because of its particular use-value; in the latter case it acquires its particular use-value from its serviceability as money. The *precious metals* last, they do not alter, they can be divided and then combined together again, they can be transported relatively easily owing to the compression of great exchange-value in little space – for all these reasons they are especially suitable in the latter stage.'[32]

This is enough to illustrate the procedure which Marx employed in the first – and as is recognised, the most abstract – part of his work. It is all here: the derivation of money from direct barter; the succession of the three stages of exchange (which we know from *Capital* as the 'simple', the 'total' and the 'general' form of value); the antithesis of use-value and exchange-value; and finally the doubling of the commodity into commodity and money, which proceeds from this antithesis. 'Control by the facts . . . takes place at every step of the analysis', which proceeds simultaneously, both 'deductively', and 'inductively', 'logically' and 'historically'. Lenin (whom we have just quoted) was correct in claiming that Marx's *Capital*, in its *deepest meaning*, is a work which explains and elucidates the history of capitalism (here, the commodity-producing society), by means of an 'analysis of the concepts which *sum up* this history'.[33] From this standpoint surely there could be no other economic work more realistic than *Capital*, despite the occasional apparent abstruseness of its method of presentation.

2. *The quantitative and the qualitative aspects of the problem of value (the magnitude of value and the form of value)*

We have seen how the creation of money proceeds from the 'contradiction between the particular nature of the commodity as a product and its general nature as exchange-value'. In contrast to bourgeois economists, who see in money simply 'a cunningly con-

[32] *Grundrisse*, pp.165-66. Marx adds there: 'At the same time, they [the metals] form the natural transition from the first form of money. At somewhat higher levels of production and exchange, the instrument of production takes precedence over products; and the metals (prior to that, stones) are the first and most indispensable instruments of production. Both are still combined in the case of copper, which played such a large role as money in antiquity: here is the particular use-value as an instrument of production together with other attributes which do not flow out of the use-value of the commodity but correspond to its function as use-value.'

[33] Lenin, *Collected Works*, Vol.38, p.320.

ceived expedient' designed to overcome the difficulties of simple barter, Marx derives it from the basic contradiction 'which is contained in the existence of the commodity as the *direct unity of use-value and exchange-value*'. However, what is the real meaning of this contradiction, and why does Marx attribute such significance to it? Was it because (as Bortkiewicz thinks) he had the 'perverse' desire to 'project' every conceivable contradiction and antithesis onto capitalism?[34] To accept this would mean blocking the way, from the outset, to any understanding of Marx's theory of value. This contradiction, far from being a contrived 'metaphysical' construction, represents, in fact, the most general form in which the real conditions of existence and developmental tendencies of the bourgeois social order are condensed. It is, in fact, only another expression for the fact that in a society of atomised private producers the labour of the individual is not directly social (nor can it be), but must prove itself as such by negating itself, by negating its own original character. For, although the universal dependence of producers on one another first becomes a fact in this mode of production, it lacks any form of unified social planning, and is subject to the blind forces of the market.[35] '*The total movement of this disorder is its order.*'[36]

[34] 'In addition we find in Marx the perverse desire to project logical contradictions onto the objects themselves, in the manner of Hegel. The determination of prices, as it takes place in a capitalist economy, contradicts the law of value. And why not? The capitalist economic order is filled and permeated with contradictions of all kinds. It would only seem right to Marx to enter one more contradiction into capitalism's account.' (L.v.Bortkiewicz, 'Value and Price in the Marxian System', *International Economic Papers*, no.2, 1952. Originally published in German in 1907.)

[35] Cf. *Capital* III, p.881. 'Whereas on the basis of capitalist production, the social character of production confronts the mass of direct producers in the form of strictly regulating authority and a social mechanism of the labour process organised as a complete hierarchy . . . among the bearers of this authority, the capitalists themselves, who confront one another only as commodity owners, there reigns the most complete anarchy, within which the social framework of production asserts itself only as an overwhelming natural law vis-à-vis the arbitrary will of the individual.'

But what about the modern, powerful monopolies? Or the tendencies towards *étatisme* in the present-day economy? These are factors which Marx could not study, because they did not exist in his time (1864-65). Do they not prove that capitalism itself has overcome its characteristic anarchy of production, or is on the verge of doing so? Those who argue in this way overlook the fact that they prove too much. If capitalism were really able to eliminate free competition and the anarchy of production, it would eliminate itself at the same time. They forget that, 'the repulsion of capitals from one another' is inherent in the concept of capital, and that a 'universal capital, without any other, independent capitals with which it could exchange would therefore be a non-thing'. (*Grundrisse*, p.421.)

In another section of the *Rough Draft* we read: 'The autonomisation of the world market . . . increases with the development of monetary relations . . . and vice versa, since the general bond and all-round interdependence in production and consumption increase together with the independence and indifference of the consumers and producers to one another; since this contradiction leads to crises etc., hence together with the development of this alienation, and on the same basis, efforts are made to overcome it.' The real historical significance of these attempts lies, however, elsewhere: 'Although on the given standpoint, alienation is not overcome by these means, nevertheless relations and connections are introduced thereby which include the possibility of suspending the old standpoint' i.e. capitalism. (*ibid.* pp.160-61.)

But how, then, are the interconnections within society established in such a mode of production? At first it seems to be simply a quantitative problem. Every society must satisfy the needs of its members. Consequently it is of great importance for every society that the labour-power at its disposal should not, in the long-term, be squandered or incorrectly employed; and further, that all the branches of production receive the required amounts of labour, and that in none of these is labour employed under poorer than average conditions. As a consequence of its anarchic character, a society of independent commodity producers has no means of regulating this in advance. It knows only one form of social connection – the market. The producer in this society only finds out, *post festum*, 'after exchange is completed . . . whether his commodity actually satisfies a social need and whether his labour-time has been properly employed'.[37]

Only in this way can the amount of labour to be performed by the society be ascertained, and the work of the individual brought into conformity with the requirements of the economy as a whole. Hilferding considered that Marx's concept of 'abstract', 'general social' labour had to be primarily interpreted from this standpoint, as meaning 'socially necessary labour'. 'Inside commodity production', says Hilferding, 'one objective social moment underlies the exchange relation, and rules the exchange relation; the socially necessary labour which is embodied in the objects to be exchanged.' And 'they become commensurable only as an expression' of socially necessary labour-time of this kind.[38]

From Marx's polemic against Bailey and Ricardo in Part III of *Theories of Surplus-Value*, we can see just how one-sided (and hence inadequate) this interpretation of Marx's concept of value is.

[36] K.Marx, *Wage-Labour and Capital*, in *Selected Works*, p.78.

[37] R.Hilferding, *Das Finanzkapital*, 1st edition, p.8.

[38] *ibid.* pp.3-4, 6.

'In order that the commodities may be measured according to the quantity of labour embodied in them . . . the different kinds of labour contained in the different commodities must be reduced to uniform simple labour . . . this reduction to simple average labour is not however the only determinant of the quality of this labour to which as a unity the values of the commodities are reduced. That the quantity of labour embodied in a commodity is the quantity socially necessary for its production – the labour-time being thus necessary labour-time – is a definition which concerns only the magnitude of value.[39] But the labour which constitutes the substance of value is not only uniform, simple, average labour; it is the labour of a private individual represented in a definite product. However, the product as value must be the embodiment of social labour, and as such, be directly convertible from one use-value into all others. . . . Thus the labour of individuals has to be directly[40] represented as its opposite, social labour . . .'[41]

This glaring contradiction can clearly only be resolved by equating the labour of individuals in exchange, by means of its reduction to abstract, universal human labour. 'The labour-time of the individual can produce exchange-value only if it produces universal equivalents, that is to say, if the individual's labour-time represents universal labour-time . . .' 'It becomes social labour by assuming the form of its direct opposite, of abstract universal labour.' The issue is not that of its social nature pure and simple, but rather 'the specific manner in which that labour . . . which posits exchange-value, and thus produces commodities is social labour'.[42]

This becomes clear as soon as we turn to pre-capitalist conditions, where production for exchange either played no role or only a minimal one. For example: 'Under the rural-patriarchal system of production, when spinner and weaver lived under the same roof – the women of the family spinning and the men weaving, let us say for the requirements of the family – yarn and linen were social products, and spinning and weaving social labour within the framework of the family. But their social character did not appear in the form of yarn becoming a universal equivalent exchanged for linen as a universal equivalent, i.e. of the two products exchanging for each other as equal and equally valid expressions of the same universal

[39] Ricardo overlooked this very point (as did most of the popularisers of Marx's theory as well).

[40] Since this direct representation is impossible a 'mediation' has to take place, i.e. the formation of money.

[41] *Theories* III, p.135.

[42] *Contribution*, pp.32-35.

labour-time. On the contrary, the product of labour bore the characteristic social imprint of the family relationship with its naturally evolved division of labour.'

'Or let us take the services and dues in kind of the Middle Ages,' continues Marx. 'It was the distinct labour of the individual in its original form, the particular features of his labour and not its universal aspect that formed the social ties at that time. Or finally let us take communal labour in its spontaneously evolved form as we find it among all civilised nations at the dawn of their history. In this case the social character of labour is evidently not mediated by the labour of the individual assuming the abstract form of universal labour or his product assuming the form of a universal equivalent. The communal system on which this mode of production is based prevents the labour of an individual from becoming private labour and his product the private product of a separate individual; it causes individual labour to appear rather as the direct function of a member of the social organisation.'[43] (The same applies, *mutatis mutandis* of course, to the socialist society of the future.)[44]

In contrast to this, the labours of individuals in a society of 'isolated individuals' i.e. of private producers, only operate 'as an element of the total labour of society through the relations which the act of exchange establishes between the products, and through their mediation, between the producers'.[45] 'The labour of different persons is equated and treated as universal labour only by bringing one use-value into relation with another one in the guise of exchange-value.'[46] Hence it appears ('something which only applies for this particular form of production, commodity production') that 'the specific social character of private labours carried on independently of each other consists in their equality as human labour' . . . and this social character must therefore assume 'in the product, the *form* of value'.[47]

It is clear that we are dealing here with one of the cardinal principles of Marx's theory of value – a principle which distinguishes this theory of value from all its predecessors in radical fashion. Ricardo too was naturally aware of the fact that the labour of the individual has to be reduced to 'socially necessary labour' in order to serve as the basis of value. (He points this out in Section 2 of the first chapter of his book.) However, this only concerns the quantita-

[43] *ibid.* pp.33-34.

[44] Cf. Chapter 30 below, 'The Historical Limits of the Law of Value.'

[45] *Capital* I, p.165 (73).

[46] *Contribution*, p.34.

[47] *Capital* I, p.167 (74).

tive, not the qualitative side of the problem. But the point is, 'not only that the different magnitudes of commodity values are measured by expressing the values in the use-value of one exclusive commodity, but at the same time that they are all expressed in a form in which they exist as the embodiment of social labour and are therefore exchangeable for every other commodity, that they are translatable at will into any use-value desired.' The labour contained in the commodities 'must be represented as social labour, as alienated individual labour'.[48] However, this is only necessary in a commodity-producing society. Only in such a society does the labour of the individual have to represent itself 'as its opposite, impersonal, abstract, general – and only in this form social' labour.[49] Of course even a socialist society would have to 'keep accounts' of the labour-power at its disposal, and would therefore have to reduce individual labour to 'simple average labour'. However, it would not occur to it 'to express the simple fact that the hundred square metres of cloth required one thousand hours of labour for their production . . . in the oblique and meaningless way that they have a *value* of one thousand hours of labour'.[50] And it is precisely because Ricardo mistakenly saw the value-form as the 'eternal, natural form of social production' that he restricted himself to the magnitude of value in his analysis.[51] Hence also his 'incorrect theory of money', his failure to understand 'the connection between the determination of the exchange-value of the commodity by labour-time and the fact that the development of commodities necessarily leads to the *formation of money*'.[52]

3. *The formation of money and commodity fetishism*

The phenomenon of commodity fetishism is closely tied up with the formation of money. We saw that real exchange produces the doubling of the commodity, its separation into commodity and money. It selects 'from the common mass of commodities one sovereign commodity in which the value of all other commodities can be expressed once and for all; a commodity which serves as the direct incarnation of social labour, and is therefore directly and unconditionally exchangeable for all other commodities – namely money.'[53]

[48] *Theories* III, pp.130-31.
[49] *Contribution*, p.69.
[50] Engels, *Anti-Dühring*, 1969, p.367.
[51] Cf. *Capital* I, p.174 note 74 (p.80 note 1).
[52] *Theories* II, p.164.
[53] *Anti-Dühring*, p.427.

However, in order that 'a particular commodity may become, as it were, the general substance of exchange-value', the exchange-value of all commodities has to be identifiable with this particular commodity; one of the commodities has to acquire 'an existence independent of the commodity, an existence based in an autonomous material of its own, in a particular commodity'.[54] 'The exchange-value of a thing is nothing other than the quantitatively specific expression of its capacity for serving as a medium of exchange. In money the medium of exchange becomes a thing, or the exchange-value of the thing achieves an independent existence apart from the thing.'[55] This is a development which already demonstrates unequivocally the fetishism bound up with commodity production, its own special 'personification of objects, and reification of the relations of production'.

Let us go back to Marx's comparison between the value of commodities and the weight of objects. Since sugar is heavy, its weight can be expressed by comparing it with the weight of another body. 'However it would be absurd to make the assumption that the sugar weighs 10 lbs, for example, because I placed ten pound-weights on the other side of the scales.'[56] It would be no less absurd, in fact it would be insane, to suppose further that since the weight of the sugar is expressed in iron-weights, it is something 'ferrous'; that the iron signifies the weight as such, and embodies it. However, it is exactly this insanity which characterises the form in which the relations of exchange appear to the owners of commodities. We know that in exchange, the value of a commodity cannot be expressed except in the use-value of another commodity, let us say, the value of linen in the use-value of a coat. This is true even in the most elementary exchange relation : x Commodity A = y Commodity B (which Marx called the 'simple, isolated or accidental form of value'). Commodity B (the coat) therefore counts 'as a thing in which value is manifested, or which represents value in its tangible natural form'.[57] Nevertheless the coat, in relation to the linen, 'cannot represent value, unless value for the latter, simultaneously assumes the form of a coat',[58] unless, in other words, it appears that 'the coat, just as it is, expresses value and is endowed with the form of value by Nature

[54] *Grundrisse*, pp.168, 188.
[55] *ibid.* pp.199-200.
[56] K.Kautsky, *K.Marx' Ökonomische Lehren*, 1906, p.27.
[57] *Capital* I, p.143 (51).
[58] Marx adds: 'An individual, A, for instance, cannot be "your majesty" to another individual, B, unless majesty in B's eyes assumes the physical shape of A, and, moreover changes facial features, hair and many other things, with every new "father of his people".' (*ibid.* p.143 (51-52).)

itself', just as much as 'its property of being heavy or its ability to keep us warm' is provided by Nature.[59] 'As a use-value, the linen is something palpably different from the coat; as value it is identical with the coat, and therefore looks like the coat.'[60] Hence the most simple exchange relation reveals that in a society based on private property, in which the producers can only relate to each other by means of their commodities, 'the social characteristics of their own labour' must appear 'as objective characteristics of the products of labour themselves'.[61]

However, the value-form x Commodity A = y Commodity B only applies to a sporadic and hence transient exchange relation, that solely between two particular commodities. In such a situation it is still very difficult to grasp the reification of the social relations of production. It does not take on a distinct and tangible shape until the money-form. Then, all commodities express their value in the same equivalent, in the same money-commodity. The 'false semblance' consequently becomes firmly established, i.e. that 'the thing in which the magnitude of the value of another thing is represented [has] . . . the equivalent form independently of this relation, as a social property inherent in its nature'.[62] 'The form of direct and universal exchangeability . . .' finally becomes 'entwined with the specific natural form of the commodity gold' (or silver.)[63] This commodity 'does not seem to become money, because all other commodities express their value in it, but, on the contrary, all other commodities universally appear to express their values in gold, because it is *money*. The movement through which this process has been mediated vanishes in its own result, leaving no trace behind. Without any initiative on their part, the commodities find their own value-configuration ready to hand, in the form of a physical commodity existing outside but also alongside them. This physical object, gold or silver in its crude state, becomes, immediately on its emergence from the bowels of the earth, the direct incarnation of all human labour.'[64] Hence the complete inversion and reification of the social relations of production, 'which only impinges on the crude bourgeois vision of the political economist when it . . . confronts him in the shape of money.' (Marx adds: 'He does not suspect that even the

[59] *ibid.* p.149 (57).
[60] *ibid.* p.143 (51).
[61] *ibid.* pp.164-65 (72).
[62] *ibid.* p.187 (92).
[63] *ibid.* p.162 (70).
[64] *ibid.* p.187 (92).

simplest expression of value, such as 20yds. of linen = 1 coat, already presents the riddle of the equivalent form for us to solve.')[65]

However, what is the real source of this unique inversion? Why, in a commodity-producing society, do the mutual relations of human beings 'always have *to be bound to objects*', and why must they '*appear as things*'?[66] The reason is simply that the producers in such a society cannot relate to their labour as direct social labour since they have lost control over their own relations of production. Hence, 'the *social* character of labour appears as the *money-existence* of the commodity, and consequently as *a thing* outside actual production'.[67] 'Objects of utility become commodities only because they are the *products of the labour of private individuals* who work independently of each other . . . Since the producers do not come into social contact until they exchange the products of their labour, the specific social characteristics of their private labours appear only within this exchange.' And they appear to them 'as what they are . . . i.e. not as direct social relations between persons in their work . . . but *as material relations between persons and social relations between things*'.[68]

We have confined ourselves here to passages from Volume I of *Capital* because the analysis of the form of value in this work provides the proof that the 'riddle of the money fetish' is in fact 'simply the riddle of the commodity fetish, now become visible and dazzling to our eyes'.[69] However, this should not be taken to mean that Marx's famous concept of 'commodity fetishism' was first developed in the mid-1860s. It was already in evidence in his earliest economic works. For example, we read in Marx's notes on Mill of 1844: 'The nature of money . . . is in the first place . . . that the *mediating* activity of

[65] *ibid.* pp.149-50 (57-58).
[66] Engels, *MEW* Vol.13, pp.475-76. 'The product which enters into exchange is the commodity. However, it is only a commodity in that a relation between two people or communities attaches itself to the thing, the product, namely the relationship between the producer and the consumer, who are not one and the same person here. This is immediately an example of a quite unique state of affairs which penetrates the whole of economics and has prompted awful confusion in the minds of bourgeois economists: economics does not deal with things, but with relations between people, and in the final analysis between classes; these relations are, however, always connected to things and appear as things. Marx was the first to have uncovered the general validity of this for all economics, and thus rendered the most difficult questions so simple and clear.'
[67] *Capital* III, pp.516-17.
[68] *Capital* I, pp.165-66 (72).
[69] *ibid.* p.187 (93).

human social action by which man's products reciprocally complete each other is alienated, and becomes the characteristic of a material thing, money, which is external to man. When man exteriorises this mediating activity he is active only as an exiled and dehumanised being; the *relation* between things, and human activity with them, becomes the activity of a being outside and above man. Through this *alien intermediary* – whereas man himself should be the intermediary between men – man sees his will, his activity, and his relations to others as a power which is independent of him and of them. His slavery therefore attains its peak. That this intermediary becomes a real god is clear, since the intermediary is the real power over that which he mediates to me.[70] His cult becomes an end in itself. The objects separated from this intermediary have lost their value. Thus they only have value insofar as they represent it, whereas it seemed originally that it only had value in so far as it represented *them*.'[71]

And elsewhere; 'Why must private property develop into the money system? Because man, as a social being, must proceed to exchange, and because exchange – private property being presupposed – must evolve into *value*. The mediating process between the exchangers is not a *human relation*; it is the *abstract relation* of private property and the expression of this abstract relationship is *value*, whose real existence as value is *money*. The object loses the meaning of human personal property, because those who exchange do not relate to each other as people.' Consequently, in money 'the complete domination of the estranged object *over* people makes its appearance. What was the domination of person over person is now the universal domination of *things* over *people*, of the product over

[70] Cf. *Grundrisse*, p.331, where we find this entirely Hegelian passage: 'This intermediary situation always appears as the economic situation in its completeness, because it comprises the opposed poles, and ultimately always appears as a one-sidedly higher power vis-à-vis the extremes themselves; because the movement or the relation, which originally appears as mediatory between the extremes, necessarily develops dialectically to where it appears as mediation with itself, as the subject for whom the extremes are merely its moments, whose autonomous presupposition it suspends in order to posit itself, through their suspension, as that which alone is autonomous.' Cf. the echo of this passage in *Capital* I, Chapter 32.

[71] *MEGA* III, p.531. Translated in Bottomore and Rubel, *Karl Marx: Selected Writings in Sociology and Social Philosophy*, Harmondsworth: Penguin 1961, p.179. Also in *Collected Works*, Vol.3, p.212. Cf. *Grundrisse*, p.149, 'Money is originally the representative of all values; in practice this situation is inverted, and all real products and labours become the representatives of money.'

alienation = money

the producers.[72] In the same way that the equivalent, value, formed the basis of the alienation (*Entäusserung*) of private property, so money is the sensuous, objective existence of this alienation.'[73]

All the elements of the later theory of commodity are already present here, even if they appear in philosophical guise. Although this theory did not obtain its real economic basis until the publication of *Capital*, the *Rough Draft*, written ten years before, already demonstrates why all products, and the results of all labour in a commodity-producing society, first have to be exchanged for a 'third, *material* thing', in order to obtain proper social validity and recognition, and further, why this 'material medium' has to become independent of the world of commodities. This provides the basis both for the supremacy of money and money relations and for the inverted reflection of the social relations of production in the consciousness of the participants, i.e. it provides a foundation for commodity fetishism.

This is what we may read in the *Rough Draft*: 'The reciprocal and all-sided dependence of individuals who are indifferent to one another forms their social connection. This social bond is expressed in exchange-value, by means of which alone each individual's own activity or his product becomes an activity and a product for him; he must produce a general product – exchange-value or . . . money' in order to be able to transform his product, 'into a *means of life* for himself'.[74] 'On the other side, the power which each individual exercises over the activity of others or over social wealth exists in him as the owner of exchange-values, of money. The individual carries his social power, as well as his bond with society, in his pocket.'[75] And 'the more production is shaped in such a way that every producer becomes dependent on the exchange-value of his commodity' the more 'the power of *money* grows[76] i.e. the exchange relation establishes itself as a power external to and independent of the producers. What originally appeared as a means to promote production becomes a relation alien to the producers.' Consequently in exchange-value 'the social connection between persons is transformed into a social

[72] 'Rob the thing, the completed money system, of its social power, and you must give it to persons to exercise over persons.' *Grundrisse*, p.158.

[73] *Collected Works*, Vol.3, pp.212-13. (Cf. *German Ideology*, p.445.)

[74] Marx states in another passage: 'For the person who creates an infinitesimal part of a yard of cotton, the fact that this is value, exchange-value is not a formal matter. If he had not created an exchange-value, money, he would have created nothing at all.' (*Grundrisse*, p.252.)

[75] *ibid.* pp.156-57.

[76] Later we read of the 'transcendental power of money'.

relation between things; personal capacity into objective wealth'.[77] In this sense money is the 'objective bond of society',[78] the 'real community' which takes the place of the old community, which was held together by natural ties and relations of personal dependence, and which can tolerate 'none other standing above it'.[79] We can see from this that commodity fetishism and the formation of money are simply two different aspects of one single situation (a fact often overlooked in textbooks on marxist economics): namely, that in a commodity-producing society, 'the exchangeability of the commodity' exists 'as a thing beside it . . . as something different from it', 'something no longer directly identical with it',[80] and hence that value must achieve autonomy in relation to commodities.[81] It further follows from this that both phenomena are inseparable from commodity production and that a commodity-producing society is incapable either of freeing itself from money, or of tearing away the 'mystical veil' which obscures the real nature of the material process of production. This will only be possible when the process of production 'becomes production by freely associated producers, and stands under their conscious and planned control.' This, however, requires that society possess a material foundation, or a series of material conditions of existence, which in their turn are the natural and spontaneous product of a long and tormented historical development.'[82]

[77] *ibid.* pp.146, 157.

[78] *Grundrisse*, German edn. p.866. Reference to a heading in the *Index zu den 7 Heften.*

[79] *Grundrisse*, pp.225, 223. It should be further emphasised here that the reification of the social relations of production reaches its peak with capital, especially interest-bearing capital. 'Just as exchange-value . . . appears in money to be a thing, so do all aspects of the activity which creates exchange-values, labour, appear in capital.' (*ibid.* p.254.) This is a theme with which we shall be concerned later.

[80] *ibid.* p.147.

[81] Marx remarks in the *Theories* that the autonomisation of value might be regarded as a 'scholastic invention' or a 'paradox' (just as Marx's conception of capital as 'independent value' or 'value-in-process' appears paradoxical to bourgeois critics). However, 'it goes without saying that the paradox of reality is also reflected in paradoxes of speech which are at variance with common sense, i.e. with what vulgarians think and believe. The contradictions which arise from the fact that on the basis of commodity production the labour of the individual presents itself as general social labour, and the relations of people as relations between things and as things – these contradictions are innate in the subject matter, not in its verbal expressions.' (*Theories* III, p.137.)

[82] *Capital* I, p.173 (80). A fine comparison between money and the state can be found in Trotsky's *The Revolution Betrayed*, New York 1945, pp.65-66. 'These two problems, state and money, have a number of traits in common, for they both reduce themselves in the last analysis to the problem: productivity of labour. State compulsion like money compulsion is an inheritance from the class society, which is incapable of defining the relations of man to man except in the form of fetishes, churchly or secular, after appointing to defend them the most alarming of all fetishes, the state, with a great knife between its teeth. In a communist society the state and money will disappear. Their gradual dying away ought consequently to begin under socialism. We shall be able to speak of the actual triumph of socialism only at that historical moment when the state turns into a semi-state, and money begins to lose its magic power. This will mean that socialism, having freed itself from capitalist fetishes, is beginning to create a more lucid, free and worthy relation among men. Such characteristically anarchist demands as the "abolition of money", "abolition of wages", or "liquidation" of the state and family, possess interest merely as models of mechanical thinking. Money cannot be arbitrarily "abolished", nor the state and the old family "liquidated". They have to exhaust their historic mission, evaporate and fall away. The deathblow to money fetishism will be struck only upon that stage when the steady growth of social wealth has made us bipeds forget our miserly attitude toward every excess minute of labour, and our humiliating fear about the size of our ration. Having lost its ability to bring happiness or trample men into the dust, money will turn into mere book-keeping receipts for the convenience of statisticians and for planning purposes. In the still more distant future, probably these receipts will not be needed. But we can leave this question entirely to posterity who will be more intelligent than we are.'

4. *The unfolding of the internal contradictions of the money form*

Up until now we were concerned to prove that 'the exchange-value relation – of commodities as mutually equal and equivalent objectifications of labour-time – comprises *contradictions* which find their objective expression in a *money which is distinct* from labour time'.[83] Because the commodity has to prove itself simultaneously as both use-value and exchange-value, and because the private labour contained in it must prove itself directly as social labour, the world of commodities must single out one exclusive commodity, in which these contradictions appear to be dissolved. Only this commodity can be the universal equivalent; only the labour incorporated in this commodity represents 'labour in its directly social form . . . although, like all other commodity-producing labour, it is the labour of private individuals',[84] whilst all other commodities sink down to the level of the 'common mass of commodities', as mere use-values. The question then is raised: Is this a definitive solution? Does it really overcome the contradictions of commodity production?

Marx's answer is, no. In the first place: 'The same contradiction between the particular nature of the commodity as product and its

[83] *Grundrisse*, p.169.

[84] *Capital* I, p.150 (58).

general nature as exchange-value, which created the necessity of positing it doubly, as this particular commodity on the one side, and as money on the other . . . contains from the beginning the possibility that these two separated forms in which the commodity exists are not convertible into one another.[85] . . . As soon as money has become an external thing alongside the commodity, the exchangeability of the commodity for money becomes bound up with external conditions which may or may not be present . . . The commodity is demanded in exchange because of its natural properties, because of the needs for which it is the desired object. Money, by contrast, is demanded only because of its exchange-value, as exchange-value. Hence whether or not the commodity is convertible into money . . . depends on circumstances which initially have nothing to do with it as exchange-value and are independent of that . . . There thus arises the possibility that the commodity, in its specific form as product, can no longer be exchanged for, equated with, its general form as money.'[86]

But not only this. 'Just as the exchange-value of the commodity leads a double existence, as the particular commodity and as money, so does the act of exchange split into two mutually independent acts: exchange of commodities for money, exchange of money for commodities; purchase and sale. Since these have now achieved a spatially and temporally separate and mutually indifferent form of existence, their immediate identity ceases. They may correspond or not; they may balance or not; they may enter into disproportion with one another. They will of course always attempt to equalise one another; but in the place of the earlier immediate equality there now stands the constant movement of equalisation, which evidently presupposes constant non-equivalence. It is now entirely possible that consonance may be reached only by passing through the most extreme dissonance.'[87] For 'the commodity . . . is exchanged for a commodity; at the same time, and equally, it is not exchanged for a commodity, inasmuch as it is exchanged for money . . . Thus already in the quality of money as a medium, in the splitting of exchange into two acts, there lies the germs of crises . . .'[88]

Thirdly, Marx continues, 'Just as exchange itself splits into two mutually independent acts, so does the overall movement of exchange

[85] This point was already anticipated in the previous chapter (Marx's discussion of the 'convertibility of the time-chits').

[86] *Grundrisse,* pp.147-48.

[87] *ibid.* p.148.

[88] *ibid.* pp.197-98. Cf. *Capital* I, p.209 (112-14), and in particular *Theories* II, pp.507ff.

itself become separate from the exchangers, the producers of commodities. Exchange for the sake of exchange separates off from exchange for the sake of commodities. A mercantile estate steps between the producers – an estate which only buys in order to sell and only sells so as to buy again, and whose aim in this operation is not the possession of commodities as products but merely the obtaining of exchange-values as such, of money . . . This doubling of exchange – exchange for the sake of consumption and exchange for the sake of exchange – gives rise to a new disproportion. In his exchange, the merchant is guided merely by the difference between the purchase and sale of commodities; but the consumer who buys a commodity must replace its exchange-value once and for all. Circulation, i.e. exchange within the mercantile estate, and the point at which circulation ends, i.e. exchange between the mercantile estate and the consumers – as much as they must ultimately condition one another – are determined by quite different laws and motives, and can enter into the most acute contradiction with one another.' (And consequently another possibility of crises![89]). 'But since production works directly for commerce and only indirectly for consumption, it must not only create but also and equally be a product of this inconsistency between commerce and exchange for consumption.'[90]

Finally, Marx points to the contradictions which reveal themselves in the separation of financial operations from actual trade. 'Money comes into contradiction with itself and with its characteristic by virtue of being itself a *particular* commodity . . . and of being subject, therefore, to particular conditions of exchange in its exchange with other commodities, conditions which contradict its universal unconditional exchangeability.' It is 'determinable by demand and supply; splits into different kinds of money etc.' 'Despite its universal character it is one exchangeable entity among other exchangeable entities. It is not only the universal exchange-value, but at the same time a particular exchange-value alongside other particular exchange-values. Here is a new source of contradictions which make themselves felt in practice.'[91]

'We see then,' Marx concludes, 'how it is an inherent property of money to fulfil its purposes by simultaneously negating them; to achieve independence from commodities; to be a means which becomes an end; to realise the exchange-value of commodities by

[89] The possibility of crises should, of course, be distinguished from their necessity; (see the exhaustive exposition of this point in *Theories* II, p.513).

[90] *Grundrisse,* pp.148-49.

[91] *ibid.* p.151.

separating them from it; to facilitate exchange by splitting it; to overcome the difficulties of the direct exchange of commodities by generalising them; to make exchange independent of the producers in the same measure as the producers become dependent on exchange.'[92] The contradiction hidden away in the commodity, between private and social labour, between use-value and exchange-value, between money and commodity is overcome, only to be reproduced simultaneously on another level. Or, as we read in *Capital*: 'The further development of the commodity' into commodity and money 'does not abolish these contradictions, but rather provides the form within which they have room to move. This is, in general, the way in which real contradictions are resolved. For instance, it is a contradiction to depict one body as constantly falling towards another, and at the same time constantly flying away from it. The ellipse is a form of motion within which this contradiction is both realised and resolved.'[93]

With this we have arrived at one of the most important, but at the same time most neglected and misunderstood, aspects of Marx's economics. How often has the thesis of the 'contradiction between use-value and exchange-value' been repeated? (For example, in a superficial and naive form by Kautsky and in a dogmatic and pedantic fashion by Soviet economics of the Stalinist school of thought.) On the other hand, how often has anyone really taken the trouble to develop this thesis or regard it as something more than a survival of the time when Marx 'coquetted with the Hegelian manner of expression'? In reality we are dealing here with one of the most fundamental discoveries of Marx's economics, the neglect of which makes his conclusions in the theory of value and money appear utterly distorted. But not only that. As Lenin wrote: 'In his *Capital* Marx first analyses the simplest, most ordinary and fundamental, most common and everyday *relation* of bourgeois (commodity) society, a relation encountered billions of times, viz. the exchange of commodities. In this very simple phenomenon (in the "cell" of bourgeois society) analysis reveals *all* the contradictions (or the germs of all the contradictions) of modern society. The subsequent exposition shows us the development (both growth *and* movement) of these contradictions and of this society in the sum of the individual parts, from its beginning to its end.'[94]

[92] *ibid.* p.151.
[93] *Capital* I, p.198 (103).
[94] *Collected Works*, Vol.38, p.36. Cf. *Contribution*, p.96: '. . . because the contradiction of commodity and money is the abstract and general form of all contradictions inherent in the bourgeois mode of labour.'

Our investigation of Marx's analysis of the 'Transition from Value to Money' has illustrated how accurately these sentences capture the real meaning of marxist economics. We must now test the validity of this analysis as we proceed further in our investigation.

6.
The Functions of Money

A. Money as measure of value

1. Preliminary note

Before we proceed with our investigation it will be necessary to look briefly at Marx's concept of the 'functional form of existence'.

We have seen that Marx's major concern was to grasp the characteristic forms of economic relations. From this standpoint the entire science of political economy can be characterised as a history of the forms of social production and intercourse.

Each form of production and intercourse has a definite function to fulfil : only after an economic relation 'has performed the function corresponding to each particular form . . . does it . . . acquire the form in which it may enter a new transformation phase'.[1] Therefore what an economic form actually represents can only be derived from the function which is allotted to it, and which underlies it. In this context Marx speaks repeatedly of 'functional' (or 'functionally or conceptually determined') 'forms of existence', which money and capital continually assume and shed, and in which the dialectical development of these categories finds its expression.[2]

As far as the functions of money in particular are concerned, it is sufficient to cite here the words of H.Block, a bourgeois critic with some insight into Marx. 'The strict division of these functions from the substance of money (social value) and likewise the separation of the functions from one another, is a striking feature of Marx's theory of money. Other theoreticians define money as a means of commerce, a unit of account, a means of exchange or a means of payment, i.e. they elevate one particular function to the position of being the defining feature of money, and then somehow derive all the remaining functions from the main one. In contrast to this Marx strictly separates the essence of money from the services which it is able to perform, owing to its particular character. The individual functions, on the other hand, stand separately and equally beside each

[1] *Capital* II, p.50.
[2] Cf. pp.31-32 above.

other.'[3] (Which naturally does not prevent them from interlocking, or from being closely connected genetically.)

2. Money as measure of value

Marx writes in the *Contribution* : 'The principal difficulty in the analysis of money is surmounted as soon as it is understood that the commodity is the origin of money. After that it is only a question of clearly comprehending the specific form peculiar to it. This is not so easy because all bourgeois relations appear to be gilded i.e. they appear to be money relations, and the money-form therefore seems to possess an infinitely varied content, which is quite alien to this form.'[4]

The first of these specific forms of money – the first because it emerges directly from the process of the formation of money itself – is its function as a measure of value.

'Money necessarily crystallises out of the process of exchange, in which different products of labour are in fact equated with each other, and thus converted into commodities. The historical broadening and deepening of the phenomenon of exchange develops the opposition between use-value and value which is latent in the nature of the commodity. The need to give an external expression to this opposition for the purposes of commercial intercourse produces the drive towards an independent form of value, which finds neither rest nor peace until an independent form has been achieved by the differentiation of commodities into commodities and money.'[5] It is no longer necessary for the value of each commodity to be expressed in an infinite series of value equations, as in the direct exchange of products (Marx's 'expanded form of value'); one single equation : x Commodity A = y Money commodity, is sufficient to represent this value in a socially valid form. 'After money has been posited as independent exchange-value', the commodities themselves are 'posited in their particularity in relation to their subject, money . . . By being equated to money they again become related to one another as they were, conceptually, as exchange-values; they balance and equate themselves with one another in given proportions.' Money 'is the universal material into which they must be dipped, in which they become gilded and silver-plated, in order to win their independ-

[3] H.Block, *Die Marxsche Geldtheorie*, Jena 1926, pp.66-67.
[4] *Contribution*, p.64.
[5] *Capital* I, p.181 (86).

ent existence as exchange-values . . . The particular exchange-value, the commodity, becomes expressed as, subsumed under, posited in the character of the independent exchange-value, of money.'[6]

The *Rough Draft* continues: '*Exchange-value, posited in the character of money, is price* . . . money as price shows first of all the identity of all exchange-values; secondly, it shows the unit of which they all contain a given number, so that the equation with money expresses the quantitative specificity of exchange-values, their quantitative relation to one another.'[7] Money operates here as the common denominator, as the measure of values, 'as the material in which the magnitudes of value of commodities are expressed socially'. In this capacity, money is 'the necessary form of appearance of the *measure of value which is immanent in commodities, namely labour-time*'.[8] One definition which follows automatically from the general law of value is that since objectified human labour is contained both in commodities and money, the value of a commodity whose production involves one day's labour becomes expressed in a quantity of gold or silver, in which, similarly, one day's labour is incorporated. The circulation process makes it appear as if it is money which makes commodities commensurable. In reality the opposite is the case: 'Because all commodities, as values, are objectified human labour, and therefore in themselves commensurable, their values can be communally measured in one and the same specific commodity, and this commodity can be converted into the common measure of their values, that is into money.'[9] The measure of value 'presupposes them as values and refers solely to the expression and size of this value . . . to the transformation of values into prices'. It 'already presumes value'.[10]

Prices represent only an ideal transformation of commodities into money. The doubling of the commodity into commodity and money, the formation of money, does not imply that the commodity has become money as such, or that the commodity only possesses universal exchangeability because it has been given a price. 'The concrete form in which commodities enter the process of exchange is as use-values. The commodities will only become universal equivalents as a result of their alienation. The establishment of their price is merely their nominal conversion into the universal equivalent, an

[6] *Grundrisse*, pp.188-90.
[7] *ibid.* p.189.
[8] *Capital* I, p.188 (94).
[9] *ibid.* Cf. *Contribution*, pp.66-67.
[10] *Theories* III, p.40.

equation with gold which still has to be put into practice.'[11] Hence the price of the commodity appears as 'an *external* relation of exchange-values or commodities to money; the commodity *is not* price, in the way in which its social substance stamped it as exchange-value; this quality is not immediately co-extensive with it; but it is mediated by the commodity's comparison with money; the commodity is exchange-value, but it *has* a price.'[12]

We thus return to the question of the non-identity of price and value, which we already touched on in the previous chapter. At first sight this might appear to be a mere terminological difference; in reality it is 'so far from being simply a nominal difference that all the storms which threaten the commodity in the actual process of circulation centre upon it'.[13] For, although the commodity, e.g. iron, 'possesses in price an *ideal* value-shape or an imagined gold-shape', it naturally cannot 'at one and the same time, and in reality, be both iron and gold. To establish its price it is sufficient for it to be *equated* with gold in the imagination.' However, in actual exchange 'it must be actually replaced by gold . . . to render to its owner the service of a universal equivalent'. And in actual exchange, 'price may express both the magnitude of value of the commodity and the greater or lesser quantity of money for which it can be sold under the given circumstances. The *possibility of a quantitative incongruity* between price and magnitude of value . . . is therefore inherent in the *price-form itself*. This is not a defect but, on the contrary, it makes this form the adequate form for a mode of production whose laws can only assert themselves as blindly operating averages between constant irregularities.'[14]

Since prices only represent ideal sums of money, no real money is necessary for establishing a price. That is: 'The ideal transformation of commodities into money is *prima facie* independent of, and unrestricted by the mass of real money. Not a single piece of money is required in this process, just as little as a measuring rod (say a yardstick) really needs to be employed before, for example, the ideal quantity of yards can be expressed. If, for example, the entire national wealth of England is appraised in terms of money, i.e. expressed as a price, everyone knows that there is not enough money in the world to realise this price. Money is needed here only as a category, as a *mental* relation.'[15] Nevertheless, it cannot become an

[11] *Contribution*, p.68.
[12] *Grundrisse*, p.190.
[13] *Contribution*, p.69.
[14] *Capital* I, pp.197, 196 (103, 102).
[15] *Grundrisse*, p.191.

imaginary measure of value, with no connection with the determination of value by means of labour-time, for this reason: 'If say a pound of cotton is worth 8d then I am saying that 1 pound of cotton = 1/116 oz. of gold. . . . This expresses at the same time its particularity as exchange-value against all other commodities, which contain the ounce of gold this or that many times – since they are all in the same way compared to the ounce of gold. This original relation of the pound of cotton with gold . . . is fixed by the quantity of labour-time realised in one and the other, the real common substance of exchange-values'[16] – 'Money as measure, as element of price-determination . . . thus presents the following phenomena: (1) it is required only as an imagined unit once the exchange-value of an ounce of gold compared to any one other commodity has been determined; its actual presence is superfluous, along with, even more so, its available quantity . . . (2) while it thus only needs to be posited ideally and, indeed, in the form of the price of a commodity is only ideally posited *in* it; at the same time, as a simple amount of the natural substance in which it is represented, as a given weight of gold, silver etc . . . it also yields the point of comparison, the unit, the measure.'[17] In this sense, the 'material substance of money is essential' for money's function as a measure of value, 'although its availability and even more its quantity, the *amount* of the portion of gold or silver which serves as a unit, are entirely irrelevant for it in this quality and it is employed in general only as an imaginary non-existent [at least not materially existent] unit.'[18]

The above confirms what we already knew; namely that only a real commodity, a real product of labour, can function as the measure of value. 'Money is a *measure* only because it is labour-time materialised in a specific substance, hence itself *value*.'[19] It does not follow from this either that it always has to be embodied[20] in the same substance, or that it has to be of an 'invariable value'.[21] What follows is only that – 'as in the representation of the exchange-value of any commodity in the use-value of another' – so similarly in the estimation of commodities in gold or silver, it is presupposed that 'at a given

[16] *Grundrisse*, pp.203-204.
[17] *ibid.* pp.207-208.
[18] *ibid.* p.203.
[19] *ibid.* p.791.
[20] 'If the values of all commodities were measured in silver or wheat or copper, and accordingly expressed in terms of silver, wheat or copper prices, then silver, wheat or copper would become the measure of value and consequently universal equivalents.' (*Contribution*, p.66.)
[21] See note 11 of the previous chapter.

moment gold represents a definite quantity of labour-time'. 'If the value of an ounce of gold falls or rises in consequence of a change in the labour-time required for its production, then it will fall or rise *equally* in relation to all other commodities and will thus for all of them continue to represent a *definite* volume of labour-time. The same exchange-values will now be estimated in quantities of gold which are larger or smaller than before but they will retain the same relative value to one another. . . . The fact that, because of the changing value of gold, exchange-values are represented by varying quantities of gold does not prevent gold from functioning as the measure of value, any more than the fact that the value of silver is one fifteenth of that of gold prevents it from taking over this function.'[22]

Thus we have arrived at the question of the double standard of currency. We read in *Capital*: 'If therefore two different commodities, such as gold and silver, serve simultaneously as measures of value, all commodities will have two separate price-expressions, the price in gold and the price in silver, which will quietly co-exist as long as the ratio of the value of silver to that of gold remains unchanged . . . However, every alteration in this ratio disturbs the ratio between the gold-prices and the silver-prices of commodities, and thus proves in fact that a duplication of the measure of value contradicts the function of that measure.'[23]

One thing which is only intimated in the *Rough Draft* is the function of money as measure of prices.[24] As prices, the values of all commodities are transformed into *imaginary* quantities of different magnitudes. 'They are now capable of being compared with each other and measured, and the course of development produces the need to compare them, for technical reasons, with some fixed quantity of gold[25] as their unit of measurement. This unit, by subsequent division into aliquot parts, becomes itself the standard of measure-

[22] *Contribution*, pp.67-68. Cf. *Capital* I, pp.192-93 (128-29). The fact that – as H.Block considers (*op. cit.* p.73) – 'Fluctuations in the value of gold, when they reach a certain height, also make the value-measuring function of gold impossible', (think of the paper Mark in the German inflation of the 1920s), is naturally no objection to Marx's theory of gold as measure of value.
[23] *Capital* I, p.190 (96). (The question of a double standard of currency is not dealt with in this context in the *Rough Draft*.)
[24] 'The fact that money is the measure of prices, and hence that exchange-values are compared with one another, is an aspect of the situation which is self-evident.' (*Grundrisse*, p.189).
[25] Both in the *Contribution* and in *Capital* Marx assumes that gold is the money-commodity, 'for the sake of simplicity'.

ment. Before they become money, gold, silver and copper already possess such standards in their weights . . .'[26]

The money-commodity is thus transformed from the measure of values into the standard of prices. These are two entirely different functions : since 'it is the measure of value as the social incarnation of human labour, and it is the standard of price as a quantity of metal with a fixed weight. As the measure of value it serves to convert the values of all the manifold commodities into prices, into imaginary quantities of gold; as the standard of price it measures those quantities of gold . . . For the standard of price, a certain weight of gold must be fixed as the unit of measurement. In this case, as in all cases where quantities of the same denomination are to be measured, the stability of the measurement is of decisive importance.' On the other hand, 'gold can only serve as a measure of value because it is itself a product of labour, and therefore potentially variable in value'.[27] (The confusion of these two specific forms 'has given rise to the wildest theories,' remarks Marx in *Capital*.)[28]

So much then on the process of the formation of prices, which precedes[29] the circulation of commodities ('precedes' in the sense that any circulation of commodities presupposes definite exchange-values as prices).[30] In the course of this process money acquires certain specific forms, which characterise it only in its function as the measure of value (or standard of price). Let us now look at how money behaves in the actual exchange of commodities, and whether the characteristics which it acquires there contradict those with which we are already acquainted.

[26] *Capital* I, p.191 (97).
[27] *ibid.* p.192 (97-98).
[28] *ibid.* p.190 (96). A detailed discussion of these theories can be found both in the *Contribution* (the chapter on 'Theories of the Standard of Money') and in the *Grundrisse*, pp.789-805, the first version of this chapter.
[29] 'The first phase of circulation is, as it were, a theoretical phase preparatory to real circulation.' (*Contribution*, p.64.)
[30] *Grundrisse*, p.188.

7.
The Functions of Money
B. Money as medium of circulation

Like every economic relation, commodity circulation also presents two different aspects (which are, nevertheless, closely connected to each other). Insofar as it 'transfers commodities from hands in which they are non-use-values to hands in which they are use-values', circulation is simply 'the appropriation of natural objects for human needs', and hence a *process of social metabolism (Stoffwechsel)*. However, to the extent that this replacement of use-values takes place through private exchange, mediated by money, and that the relations of the commodities to one another are crystallised as different forms (*Bestimmung*–) of money, it 'simultaneously gives rise to definite social relations of production', and is therefore a change of form (*Formwechsel*).[1] Only this second aspect is analysed by Marx.[2]

At first sight the circulation of commodities simply appears as an enormous number of ongoing exchanges of commodity and money, from hand to hand and from place to place. It 'begins from an infinite number of points and returns to an infinite number', without 'the actual beginning also being the point of return'. 'The commodity is exchanged for money; money is exchanged for the commodity' and 'this constant renewal of the same process . . . is repeated endlessly'.[3] However, looked at more precisely, commodity circulation 'reveals other phenomena as well; the phenomena of completion, or the return of the point of departure into itself'. Circulation (as it appears in its two elements, commodity and money), can therefore be conceived of equally well as either a movement of money, or a movement of commodities. 'If I sell in order to buy, then I can also buy in order to sell . . . looking at it as mere circulation, the

[1] *Capital* I, p.198 (104).
[2] Cf. pp.80-83 above.
[3] Marx adds that from this standpoint commodity circulation can be regarded as a 'simply infinite process', in the Hegelian sense. *Grundrisse*, p.197 and *Grundrisse*, German edn. p.865. See Engels, *Anti-Dühring*, pp.61-67 on the Hegelian concept of 'bad infinity'. [Translator's Note: In both cases the term under consideration is the same, viz. *unendlichkeit*.]

point at which I intervene in order to declare it the point of departure has to be a matter of indifference.' However, in both instances, two different circuits take place: C-M-C and M-C-M.

'In the former case money only a means to obtain the commodity, and the commodity the aim; in the second case the commodity only a means to obtain money, and money the aim.'[4] At the same time the second circuit where the extremes M-M are only quantitatively different (consequently where the second M must be larger than the first) presupposes the exchange of non-equivalents; hence 'money and commodity in the circuit M-C-M imply more advanced relations of production, and within simple circulation the circuit is merely a reflexion of a movement of a more complex character'.[5] So for the present we shall confine ourselves to the form of circulation C-M-C (selling in order to buy).

What role does money play in the circuit C-M-C?

If, a short while ago, money served to provide the world of commodities with the material for expressing price, it is clear that in actual exchange its primary task must be to realise the price of commodities, i.e. act as the 'realiser (*Verwirklicher*) of prices'.

We should however remember that not every exchange of commodities amounts to a circulation of commodities. This circulation of commodities not only requires a 'circuit of exchanges, and a totality of them, in constant motion, and more or less present throughout society'.[6] It also presupposes, as we already know, 'that commodities enter into the process of exchange with *definite prices*', and that consequently the equivalent commodity already possesses its money-character.[7]

Indeed: 'At the place where gold is produced, it is a commodity like any other commodity. Its relative value . . . and that of any other commodity is reflected there in the quantities in which they are exchanged for one another. But this transaction is presupposed in the process of circulation, the value of gold is already given in the prices of commodities. It would therefore be entirely wrong to assume that within the framework of circulation the relation of gold and commodities is that of direct barter and that consequently their

[4] *Grundrisse*, pp.197, 201.

[5] *Contribution*, p.123.

[6] In this sense circulation, as 'the first totality among economic categories . . . is also the first form in which the social relation appears as something independent of the individuals, but not only as, say, in a coin or in exchange-value, but extending to the whole of the social movement itself'. (*Grundrisse*, p.197.)

[7] *Contribution*, p.88.

relative value is determined by their exchange as simple commodities.'[8] If we cling to this conception 'we overlook the very thing we ought to observe, namely what has happened to the *form* of the commodity. We do not see that gold, as a mere commodity, is not money, and that the other commodities, through their prices, themselves relate to gold as the medium for expressing their own shape in money.'[9] In other words: in circulation commodities are not only actually transformed into money, and exchanged for real money, they are also realised as prices. Hence, the establishment of price is the precondition of commodity circulation, and not its result.

From the fact that money can only circulate commodities with definite prices, it follows that the quantity of gold and silver required for circulation is determined in the first instance by the sum-total of the prices of the commodities which are to be realised. However, this sum total of prices is itself 'determined: firstly, by the prices of the individual commodities; secondly by the quantity of commodities at given prices which enter into circulation . . . Thirdly, however, the quantity of money required for circulation depends not only on the sum total of prices to be realised, but on the rapidity with which money circulates . . . If 1 thaler in one hour makes 10 purchases at 1 thaler each, if it is exchanged 10 times, then it performs quite the same task that 10 thalers would do if they made only one purchase per hour. Velocity is the negative moment; it replaces quantity; by its means a single coin is multiplied.'[10] In fact the circulation of money 'does not begin from a single centre, nor does it return to a single centre from all points of the periphery (as with banks of issue and partly with state issue);[11] but it begins from an infinite number of points and returns to an infinite number. The velocity of the circulating medium can therefore replace the quantity of the circulating medium only up to a certain point.' For this

[8] *ibid.* p.90.

[9] *Capital* I, p.199 (104).

[10] *Grundrisse*, p.194. Marx says in a later passage (p.519): 'We have already encountered the law of the substitution of velocity for mass and mass for velocity in money circulation. It holds in production just as in mechanics. It is a circumstance to return to when we consider the equalisation of the rate of profit, price etc.'

[11] Marx distinguishes in just this sense between the simple circuit and the higher 'bent back' circuit of money. 'It is clear that simple money circulation, regarded in itself, is not bent back into itself [but] consists of an infinite number of indifferent and accidentally adjacent movements.' However, 'insofar as it bends back into itself money circulation appears as the mere appearance of a circulation going on behind it and determining it, e.g. when we look at the money circulation between manufacturer, worker, shop-

reason 'a certain mass of payments must be made *simultaneously* ... A definite quantity of money is therefore necessary for circulation, a sum which will always be engaged in circulation, and which is determined by the sum total which starts from the simultaneous points of departure in circulation, and by the velocity with which it runs its course ... No matter how many ebbs and flows this quantity of the circulating material is exposed to, an average level nevertheless comes into existence – since the permanent changes are always very gradual, take place over longer periods and are constantly paralysed by a mass of secondary circumstances.'[12]

Presupposing a certain velocity of circulation, it follows from the fact that the mass of the circulating medium is determined by price, and not the other way around, not that 'prices are high or low because much or little money circulates, but rather that much or little money circulates because prices are high or low'.[13] (The above does not apply to paper money issued by the state.) Marx adds: 'This is one of the principal economic laws, and the detailed substantiation of it based on the history of prices is perhaps the only achievement of the post-Ricardian English economists.'[14]

So much on the role which money plays as the medium for the realisation of prices. It should not be overlooked that in the circuit C-M-C the realisation of the price of the commodity primarily serves to facilitate (*vermittlen*) the exchange of this commodity for another commodity. If the result of the entire circuit is looked at, and not merely the isolated C-M or M-C, this result breaks down into the interchange of matter, C-C. 'The commodity is exchanged for

keeper and banker.' *ibid.* p.790. 'The development of money as universal means of payment goes hand in hand with the development of a higher circulation, mediated, bent back into itself and already taken under social control, in which the exclusive importance which it possessed on the basis of simple metallic circulation is annulled.' (*Grundrisse*, German edn. pp.875-76.) And cf. *Contribution*, pp.101-103.

[12] *Grundrisse*, p.195.

[13] *ibid.* pp.194-95. Elsewhere in the text (p.814) we find the remark: 'With the proposition that prices regulate the quantity of currency and not the quantity of currency prices, or in other words, that trade regulates currency (the quantity of the medium of circulation), and currency does not regulate trade, [it] is of course ... supposed that price is only value translated into another language. Value and value as determined by labour-time is the presupposition. It is clear, therefore, that this law is not equally applicable to the fluctuations of prices in all epochs; e.g. in antiquity, e.g. in Rome, where the circulating medium does not itself arise from circulation, from exchange, but from pillage, plunder etc.' Cf. *Contribution*, pp.157-65, and *MEW* Vol.29, p.316.

[14] *Contribution*, pp.105-106.

money; money is exchanged for the commodity. In this way commodity is exchanged for commodity, except that this exchange is a mediated one.' Therefore basically money has simply served 'to exchange the first commodity for the second one.'[15] Consequently if the entire circuit C-M-C is considered, money appears 'as a mere *medium of exchange* of commodities, not however as a medium of exchange adapted to the process of circulation i.e. a *medium of circulation*'.[16] If this new function of money is to be clearly understood, it must be set against its previous functions.

'Insofar as it [money] realises the price of commodities, the commodity is exchanged for its real equivalent in gold and silver ... but insofar as this process takes place only in order to transform this money back into a commodity, i.e. in order to exchange the first commodity for the second, then money appears only fleetingly, or its substance consists only in this constant appearance as disappearance, as this vehicle of mediation. Money as medium of circulation is *only* medium of circulation. The only attribute which is essential to it in order to serve in this capacity is the attribute of quantity, of amount, in which it circulates.'[17]

From this standpoint, Marx continues, 'it is only a semblance, as if the point were to exchange the commodity for gold or silver as particular commodities: a semblance which disappears as soon as the process is ended, as soon as gold and silver have again been exchanged for a commodity, and the commodity, hence, exchanged for another. The character of gold and silver as mere media of circulation ... is therefore irrelevant to their make-up as particular natural commodities.' This appears in the fact that in the course of circulation 1 thaler can represent a mass of silver one hundred times greater than it really contains, although in each particular exchange it only represents the silver weight of 1 thaler.[18] 'In circulation as a whole, the 1 thaler thus represents 100 thalers, a weight of silver a hundred times greater than it really contains. It is in truth only a symbol for the weight of silver contained in 100 thalers. Insofar as the price of a commodity of 1 thaler is paid ... it is of decisive importance that the 1 thaler really contains x weight of silver. If it were

[15] *Grundrisse*, pp.197, 208.

[16] *Contribution*, p.96. As a medium of circulation, money functions as a means of purchase, since, in sale and purchase, commodity and money 'confront each other in the same way; the seller represents the commodity, the buyer the money'. (*ibid.* p.98.)

[17] *Grundrisse*, pp.208-209.

[18] All the monetary examples are expressed in thalers, for the sake of consistency, though the original uses both pounds sterling and thalers.

a counterfeit thaler, alloyed with non-precious metals . . . then indeed the price of the commodity would not be realised; in order to realise it, it would have to be paid for in as great a quantity of the non-precious metals as equals x weight of silver. Looking at this moment of circulation in isolation, it is thus essential that the unit of money should really represent a given quantity of gold or silver. But when we take circulation as a totality, as a self-enclosed process, C-M-M-C, then the matter stands differently. In the first case the realisation of price would be only apparent; only a part of the price [of the commodity] would be realised . . . But if a fake thaler were to circulate in the place of a real one, it would render absolutely the same service in circulation as a whole as if it were genuine . . . The genuine thaler is, therefore, in this process, nothing more than a symbol, insofar as the moment in which it realises prices is left out, and we look only at the totality of the process in which it serves only as a medium of exchange and in which the realisation of prices is only a semblance, a fleeting mediation.'[19]

Further on in the text we read this : 'As a mere medium of circulation, in its role in the constant flow of the circulatory process, money is neither the measure of prices,[20] because it is already posited as such in the prices themselves; nor is it the means for the realisation of prices, for it exists as such in one single moment of circulation but disappears as such in the totality of its moments; but is, rather, the mere representative of the price in relation to all other commodities, and serves only as a means to the end that all commodities are to be exchanged at equivalent prices . . . In this relation it is the symbol of itself . . . From this it follows that money as gold or silver, insofar as only its role as means of exchange and circulation is concerned, can be replaced by any other symbol which expresses a given quantity of its unit, and that in this way symbolic money can replace the real, because material money as mere medium of exchange is itself symbolic.'[21]

The medium of circulation obtains its most characteristic form in coin. As coin, money 'has lost its use-value; its use-value is identical with its quality as medium of circulation . . . That is why coin is also only a symbol whose material is irrelevant. But as coin it also loses its universal character, and adopts a national local one. It decomposes into coin of different kinds, according to the material of which it consists, gold, copper, silver etc. It acquires a political

[19] *Grundrisse*, pp.209-10.
[20] Should read 'measure of values'.
[21] *Grundrisse*, pp.211-12. Here the symbol theory is reduced to its correct proportions.

title, and talks, as it were, a different language in different countries.'[22]

What Marx has to say in the *Rough Draft* on coin and on paper money issued by the state at uniform exchange rates does not go beyond a few scattered remarks.[23]

He does, however, stress that, in this matter too, his conclusions 'are deduced in just the opposite way to the usual doctrine. Money can be replaced because its quantity is determined by the prices which it circulates. Insofar as it itself has value – as in the subsidiary medium of circulation [coin], its quantity must be so determined that it can never accumulate as an equivalent, and in fact always figures as an auxiliary cog of the medium of circulation proper. Insofar, however, as it is to replace the latter' – paper money issued by the state – 'it must have no value whatsoever i.e. its value must exist apart from itself'.[24] Therefore the value of money can 'exist separately from its matter, its substance . . . without therefore giving up the privilege of this specific commodity' i.e. of gold or silver, 'because the separated form of existence must necessarily continue to take its denomination from the specific commodity.'[25]

It can be seen that whereas in money's function as medium of circulation 'its material existence, its material substream of a given quantity of gold and silver is irrelevant, and where by contrast its amount is the essential aspect' (since it is only in this way that it can be a 'symbol of itself'), 'in its role as measure . . . where it was introduced only ideally, its material substratum was essential but its quantity and even its existence as such were irrelevant'. Marx remarks, in addition, that it is precisely this conflict between the functions of money[26] which 'explains the otherwise inexplicable phenomenon that the debasement of metallic money, of gold, silver, through admixture of inferior metals, causes a depreciation of money and a rise in prices; because in this case the measure of prices[27] is no longer the cost of production of the ounce of gold, say, but rather of an ounce consisting of ⅔ copper etc.' But 'on the other hand, if the substratum of money . . . is entirely suspended and replaced by paper

[22] *ibid.* p.226.
[23] These remarks occur on p.814 of the *Grundrisse.*
[24] *ibid.* p.814.
[25] *ibid.* p.167.
[26] 'But it is at variance with common sense that in the case of purely imaginary money everything should depend on the physical substance, whereas in the case of the corporeal coin everything should depend on a numerical relation that is nominal.' (*Contribution*, p.121.)
[27] Once again, this should read 'measure of values'.

bearing the symbol of given quantities of real money, in the quantity required by circulation,[28] then the paper circulates at the full gold and silver value. In the first case because the medium of circulation is at the same time the material of money as measure, and the material in which prices are definitively realised; in the second case because money only [operates] in its role as medium of circulation.'[29]

Those readers who are well versed in marxism will immediately notice the difference between the presentation in the *Rough Draft* and the presentation in the *Contribution* and *Capital*. Not only is there no investigation in the former into coin and paper money, but also no detailed analysis of the circuit C-M-C, which can be found in the chapters on the medium of circulation in both of the later works.[30] What the *Rough Draft* offers, therefore, is hardly more than a cursory sketch of this subject. Nevertheless by focussing directly on the functions which money fulfils in the realisation of commodity prices it provides a welcome supplement to the later works, and thus contributes to our understanding of the later presentations, a point which also applies to the next chapter.

[28] Thus in Marx's view the 'quantity theory of money' only applies to paper money issued by the state. (Cf. also *Contribution*, pp.119-20.)
[29] *Grundrisse*, pp.212-13.
[30] *Contribution*, pp.87ff. *Capital* I, pp.198-209 (94ff).

8

The Functions of Money

C. 'Money as money'

1. General comments

Up until now we have become acquainted, in the main, with two functions of money; money as measure of value, and as medium of circulation. In the first function it operates only as ideal money, and in the second only as symbolic money. However, we now come to those forms which are either dependent on the actual presence of money in its 'own golden person', or where it appears, on the other hand, 'as the *sole form of value*, or in other words, the *only adequate form of existence of exchange-value*, in the face of all the other commodities which are here use-values pure and simple'.[1] Marx speaks here of 'money as money', or the 'third function of money'.

What this means is that money '*becomes independent* in relation both to society and to individuals'.[2] This attainment of an independent position, which was already inherent in the concept of money is, however, first of all a product of the process of exchange, and therefore has to be expressed in the development of the various specific forms of money. It achieves temporary independence, for example, in its function as medium of circulation. Whenever the sale C-M takes place, gold or silver, 'which, as measure of values were only ideal money . . . get transformed into actual money'. Thus, the chrysalis state of the commodity as money 'forms an independent phase in its life, in which it can remain for a shorter or longer period'.[3] However, if we look at the act C-M in the context of the circuit C-M-C, this money-chrysalis only serves the change of matter (*Stoffwechsel*) C-M, and therefore has only a temporary and fleeting character. As a fixed crystal of value, as value, become independent, money first appears where it no longer serves as a mere intermediary of exchange, but rather confronts commodities as something other than a medium of circulation.

According to Marx, money appears in three forms in its third

[1] *Capital* I, p.227 (130).
[2] *German Ideology*, p.445.
[3] *Contribution*, pp.89, 91.

function. 1) as hoard, 2) as means of payment and 3) as world coin or world money. In the first form, money remains outside circulation, withdraws from it; in the second it does in fact enter it, but not as a medium of circulation; and finally in the third it breaks through the barriers of internal circulation, as circumscribed by national borders, in order to function as the universal equivalent in international trade, on the world market.[4] Only by studying all these forms can we arrive at the real meaning of the category 'money as money'.

It should also be noted that the *Rough Draft* diverges noticeably from the *Contribution* and from *Capital* on this point (the derivation of the 'third function'). In the *Rough Draft* the category 'money as money' is conceived of essentially as the development of the form M-C-M.[5] Indeed the study of this circuit demonstrates most clearly that here 'money functions neither only as measure, nor only as medium of exchange, nor only as both; but has yet a third quality', that it 'has an independent existence outside circulation, and that in this new character it can be withdrawn from circulation just as the commodity must constantly be definitively withdrawn'.[6] However, since, as we have already emphasised,[7] 'money and commodity in the circuit M-C-M imply *more advanced* relations of production', i.e. the circuit M-C-M suggests the dominance not of simple commodity production but of capitalist production, Marx decided in the *Contribution* to develop the third function of money from C-M-C, 'the immediate form of commodity circulation',[8] and not from the circuit M-C-M, and we must follow this corrected version here. This is all the more essential as we can already see from the *Rough Draft* that the third function of money is already in evidence in the form of circulation C-M-C, insofar as money does not function as a mere medium of circulation.[9]

2. *Money as hoard*

The hoard is the most striking form of money's autonomy. We saw that the circulation of commodities, 'bursts through all the temporal, spatial and personal barriers imposed by the direct

[4] *ibid.* pp.144ff.
[5] This is also confirmed by Marx's letter to Engels of 2 April 1858, *Selected Correspondence*, pp.97-101.
[6] *Grundrisse*, p.203.
[7] See previous chapter p.143.
[8] *Contribution*, p.123.
[9] *MEW* Vol.29, p.317.

exchange of products . . . by splitting up the direct identity . . . between the exchange of one's own product and the acquisition of someone else's into the two antithetical segments of sale and purchase . . . No one can sell unless someone else purchases. But no one directly needs to purchase because he has just sold.'[10] 'The fact that gold as money assumes an independent existence is thus above all a tangible expression of the separation of the process of circulation or of the metamorphosis of commodities into two discrete and separate transactions which exist side by side.'[11] The splitting of the circuit C-M-C therefore makes it possible for the seller of commodities to deliberately isolate the transaction C-M, to prevent it from proceeding to M-C, in order to get hold of the money-form of the commodity. In this case money petrifies into a hoard, and the seller of commodities becomes a hoarder.

We should preface this by saying that, although the process of hoarding is 'common to all commodity production', 'it figures as *an end in itself* only in the undeveloped, pre-capitalist forms of commodity production'.[12] This is because 'the less products assume the character of commodities, and the less intensively and extensively exchange-value has taken hold of production, the more does money appear as actual wealth as such, as wealth in general – in contrast to its restricted manner of presentation in use-values'.[13] Hence the great significance of hoarding in primitive societies, where it is only the surplus use-values which are transformed into commodities and where 'the traditional mode of production is aimed at satisfying the individual's own requirements, and corresponds to a fixed and limited range of needs'.[14] Gold and silver are the adequate form of existence of the surplus in such societies, and at the same time 'the first form in which wealth, as abstract social wealth, can be held'. This explains why 'the accumulation of all other commodities is less ancient than that of gold and silver'. In the first place this is related to the natural property the precious metals possess, of being imperishable. 'Accumulation is essentially a process which takes place in time.' Every use-value, as such, 'is of service in that it is consumed i.e. destroyed', and this at the same time signifies the destruction of its exchange-value. 'With money on the other hand, its substance, its materiality, is itself its form, in which it represents wealth'. Consequently if money

[10] *Capital* I, pp.209, 208 (112).
[11] *Contribution*, p.125.
[12] *Capital* II, p.85.
[13] *Capital* III, p.598.
[14] *Capital* I, p.228 (130).

'appears as the general commodity in all places, so also does it in all times. It maintains itself as wealth at all times . . . it is the treasure "which neither moth nor rust doth corrupt". All commodities are only transitory money; money is the permanent commodity.'[15] Secondly, 'The commodity, as a use-value, satisfies a particular need and forms a particular element of material wealth. But the value of a commodity measures the degree of its attractiveness for all other elements of material wealth, and therefore measures the social wealth of its owner. To the simple owner of commodities among the barbarians . . . value is inseparable from the value-form, and therefore to him the increase in his hoard of gold and silver is an increase in value. It is true that the value of money varies, either as a result of a change in its own value, or of a change in the values of commodities. But this on the one hand does not prevent 200 ounces of gold from continuing to contain more value than 100 ounces, nor on the other hand does it prevent the metallic natural form of this object from continuing to be the universal equivalent form of all other commodities, and the directly social incarnation of all human labour.'[16]

Although hoarding as such is characteristic of pre-capitalist conditions it does at the same time reveal tendencies which eventually lead to the dissolution of these primitive conditions and the decline of the communities which correspond to them.[17] This is because every form of natural wealth, 'before it is replaced by exchange-value . . . presupposes an essential relation between the individual and the objects in which the individual in one of his aspects objectifies himself in the thing, so that his possession of the thing appears at the same time as a certain development of his individuality; wealth in sheep, the development of the individual as shepherd, wealth in grain his development as agriculturist etc. Money, however, as the individual of general wealth[18] . . . as a merely social result, does not at all presuppose an individual relation to its owner; possession of it is not the development of any particular essential aspect of his individuality . . . since this social relation exists at the same time as a sensuous, external object which can be mechanic-

[15] *Grundrisse*, p.231.

[16] *Capital* I, p.230 (133).

[17] In this sense Marx speaks of the 'dissolving effect' of money (and trade) on the primitive communities. However, in the *Rough Draft* the 'dissolving effect of money' is sometimes understood to mean something else, namely that money is the means 'of cutting up property . . . into countless fragments and consuming piece by piece through exchange . . . (Without money, a mass of inexchangeable, inalienable objects)'. (*Grundrisse*, p.871.)

[18] See note 11 on p.103 above.

ally seized, and lost in the same manner. Its relation to the individual thus appears as a purely accidental one; while this relation to a thing having no connection with his individuality gives him, at the same time, by virtue of this thing's character, general power over society, over the whole world of gratifications, labours etc.' (Marx adds: 'The possession of money places me in exactly the same relationship towards wealth [social] as the philosophers' stone would towards the sciences'.)[19]

'Thus the social power becomes the private power of private persons.'[20] However, whatever 'surrenders itself to everything, and is yielded in return for anything, appears as the *universal means of corruption and prostitution*'.[21] For, 'just as everything is alienable for money, everything is obtainable by money . . . and it depends on chance what the individual can appropriate and what not, since it depends on the money in his possession . . . There is nothing inalienable, since everything is alienable for money. There is no higher or holier, since everything is appropriable by money. The "*res sacrae*" and "*religiosae*", which may be "*in nullius bonis*", "*nec aestimationem recipere nec obligari alienarique posse*", which are exempt

[19] *Grundrisse*, pp.221-22. As one can see, Marx follows on here from his critique of money in the *Economic and Philosophical Manuscripts of 1844*, p.167: He writes there, commenting on a passage from Goethe's *Faust*: 'That which is for me through the medium of *money* – that for which I can pay (i.e. which money can buy) – that am I, the possessor of the money. The extent of the power of money is the extent of my power. Money's properties are my properties . . . Thus what I am and am capable of is by no means determined by my individuality. I am ugly, but I can buy for myself the most beautiful of women. Therefore I am not ugly, for the effect of ugliness – its deterrent power – is nullified by money. I, as an individual, am lame, but money furnishes me with 24 feet. Therefore I am not lame. I am bad, dishonest, unscrupulous, stupid; but money is honoured, and hence its possessor. Money is the supreme good, therefore its possessor is good. Money saves me the trouble of being dishonest, I am therefore presumed honest. I am stupid, but money is the real mind of all things, and how then should its possessor be stupid? Besides, he can buy talented people for himself, and is he who has power over the talented not more talented than the talented? Do not I, who thanks to money am capable of all that the human heart longs for, possess all human capacities? Does not my money, therefore, transform all my incapacities into their contrary?' One is reminded of Henry Ford who parried the charge of ignorance during court proceedings by saying that he could send for people with the requisite knowledge within five minutes (K.Sward, *Legend of Henry Ford* p.105.)

[20] *Capital* I, p.230 (132).

[21] *Grundrisse*, German edn. p.895. (Cf. the numerous passages in Marx and Engels which deal with the 'universal venality', which is bound up with the money relation.)

from the "*commercio hominum*", do not exist for money – just as all men are equal before God.'[22] ('Things sacred and religious, which cannot be in the possession of anyone, and cannot either receive a valuation or be mortgaged or alienated, which are exempt from the commerce of man.') And it is precisely for this reason that money, in its third quality, must lead to the disintegration of the ancient communities, which are based on use-values – insofar as it is not 'itself the community', as in bourgeois society.[23]

This is all the more so as the drive to accumulate hoards is, by its nature, limitless. 'In gold and silver I possess general wealth in its pure form; the more of it that I pile up, the more general wealth I appropriate. If gold and silver are general wealth, then as particular quantities they only represent it to a particular extent, i.e. inadequately. The whole is impelled constantly to push out beyond itself.'[24] Marx continues, in the *Rough Draft*: 'Money is therefore not only *an* object, but *the* object of greed. It is essentially *auri sacra fames* (the accursed hunger for gold). Greed as such, as a particular form of the drive i.e. as distinct from the craving for a particular kind of wealth e.g. for clothes, weapons, jewels, women, wine etc. is possible only when general wealth, wealth as such, has become individualised in a particular thing i.e. as soon as money is posited in its third quality. Money is therefore not only the object but also the fountainhead of greed . . . The underlying reason is in fact that exchange-value as such becomes the goal, and consequently also an

[22] *Grundrisse*, p.839. (Cf. *Capital* I, p.229 (132) where Marx speaks of the 'alchemy' of money circulation, which 'not even the bones of saints, still less the more delicate *res sacrosanctae* . . . are able to withstand . . .')

[23] *Grundrisse*, p.224. We also read this in the *Rough Draft*: 'In antiquity, exchange-value was not the *nexus rerum*: it appears as such only among the mercantile peoples, who had, however, no more than a carrying trade and did not themselves produce. At least this was the case with the Phoenicians, Carthaginians etc. But this is a peripheral matter. They could live just as well in the interstices of the ancient world, as the Jews in Poland, or in the Middle Ages. Rather, this world itself was the precondition for such trading peoples. That is why they fall apart every time they come into serious conflict with the ancient communities. Only with the Greeks, Romans etc. does money appear unhampered in both of its first two functions, as measure and as medium of circulation, and not very far developed in either. But as soon as either their trade etc. develops, or, as in the case of the Romans, conquest brings them money in vast quantities – in short, suddenly, and at a certain stage of their economic development, money necessarily appears in its third role, and the further it develops in that role, the more the decay of their community advances.' (*ibid.* p.223.)

[24] *Grundrisse*, German edn. p.872.

expansion of exchange-value.'[25] 'The metamorphosis C-M, takes place, then, for its own sake, for the purpose of transforming particular physical wealth into general social wealth. *Change of form – instead of exchange of matter – becomes an end in itself*. Exchange-value, which was merely a form, is turned into the content of the movement.'[26] Therefore the cult of money 'has its asceticism, its self-denial, its self-sacrifice – economy and frugality, contempt for mundane temporal and fleeting pleasures; the chase after the *eternal* treasure. Hence the connection between English Puritanism, or also Dutch Protestantism, and money-making.'[27]

If one gets down to the root of the matter the comically appealing figure of the hoarder[28] appears in a different light, for 'the accumulation of money for the sake of money is in fact the barbaric form of production for the sake of production. i.e. the development of the productive powers of social labour beyond the limits of customary requirements'.[29] And therefore, 'The less advanced is the production of commodities the more important is hoarding – the first form in which exchange-value assumes an independent existence as money.'[30]

So much for hoarding proper, which seeks 'to preserve and maintain money as abstract wealth', independently of the social framework and in which 'the independence, the appropriate form of existence of exchange-value, is still only perceived in its directly material form as gold'.[31] As Marx repeatedly stressed, this form disappears 'more and more in bourgeois society', to make room for

[25] *Grundrisse*, p.222, and *Contribution*, p.132.

[26] *Contribution*, pp.127-28.

[27] *Grundrisse*, p.232. This idea was later written about by bourgeois sociologists and economists as if it was something entirely new.

[28] *Contribution*, p.140.

[29] *ibid.* p.134. We read in the *Rough Draft* (p.225): 'Money as individualised exchange-value and hence as wealth incarnate was what the alchemists sought; it figures in this role within the Monetary (Mercantilist) System. The period which precedes the development of modern industrial society opens with general greed for money on the part of individuals as well as of states. The real development of the sources of wealth takes place as it were behind their backs, as a means of gaining possession of the representatives of wealth . . . The hunt for gold in all countries leads to its discovery; to the formation of new states; initially to the spread of commodities, which produce new needs, and draw distant continents into the metabolism of circulation, i.e. exchange.' In this respect, therefore, money in its third function was 'doubly a means for expanding the universality of wealth, and for drawing the dimensions of exchange over the whole world; for creating the true generality of exchange-value in substance and in extension.'

[30] *Contribution*, p.134.

[31] *Grundrisse*, German edn. p.886.

other forms of the accumulation of money, 'which proceed from the mechanism of circulation itself and which are really mere resting places in it.'[32]

For example, the simple fact of the division of labour and the separation of sales from purchases leads to the temporary piling up of the means of circulation :

'Everybody sells the particular commodity he produces, but he buys all other commodities he needs for his social existence. How often he appears on the market as a seller depends on the labour-time required to produce his commodity, whereas his appearance as a buyer is determined by the constant renewal of his vital requirements. In order to be able to buy without selling, he must have sold something without buying.' From this it follows 'that M-C, the second member of the circuit C-M-C, splits up into a series of purchases, which are not effected all at once but successively over a period of time, so that one part of M circulates as coin, while the other part remains at rest as money. In this case, the money is in fact only *coin in suspension* and the various component parts of the coinage in circulation constantly change, appearing now in one form, now in another.'[33]

Thus reserve funds of coin arise at all points in commerce, and their 'formation, distribution, dissolution and reformation constantly changes'; at the same time they serve as channels for adding to or subtracting from the constantly expanding and contracting mass of money in circulation.[34] In addition to this, reserve funds develop out of the functions of money as means of payment[35] and world currency,[36] which will be dealt with later. The necessity for all these funds is already a product of the mechanism of simple commodity circulation, although they first acquire a significant magnitude within capitalist production. What is specific to this form of production is the accumulation of money which is conditioned by the turnover of capital, i.e. the stockpiling 'of ideal, temporarily unemployed capital, in the shape of money, including newly accumulated and not yet

[32] *ibid.*

[33] *Contribution*, pp.125-26.

[34] *ibid.* p.128 and *Capital* I, p.231 (134).

[35] 'The development of money as a means of payment makes it necessary to accumulate it in preparation for the days when the sums which are owing fall due. While hoarding, considered as an independent form of self-enrichment vanishes with the advance of bourgeois society, it grows at the same time in the form of the accumulation of a reserve fund of the means of payment.' (*Capital* I, p.240 (142).)

[36] *ibid.* pp.240-44 (142-44) and *Contribution*, p.149.

invested money-capital'.[37] Apart from this, in countries with developed capitalist production 'hoards strikingly above their average level . . . indicate stagnation in the circulation of commodities . . . i.e. an interruption in the flow of their metamorphoses'.[38]

3. *Money as means of payment*

The second function in which money appears as the absolute form of value, is as means of payment. This function is discussed in two different sections of the *Grundrisse*; first – very briefly – at the end of the 'Chapter on Money' of the *Rough Draft* proper (pp. 235-36) and then in the so-called *Urtext: Zur Kritik.** Both passages admittedly offer no more than fragments of an examination of the problem, but we shall mention here those points which are essential to our present theme.

Previously we proceeded from the assumption that when money circulates it continues to act at the same time as a real means of purchase, that, hence both poles of exchange, the commodity and money have to be present at one and the same time. 'But a *difference of time* may appear between the existence of the commodities to be exchanged. It may lie in the nature of reciprocal services that a service is performed today, but the service in return can be performed only after a year etc.'[39] In such cases the original character

[37] *Capital* III, p.319.

[38] *Capital* I, p.244 (145) cf. *Capital* II, p.353 : 'On the basis of capitalist production the formation of a hoard as such is never an end in itself but the result either of a stagnation of the circulation – larger amounts of money than is generally the case assuming the form of a hoard – or of accumulations necessitated by the turnover; or, finally, the hoard is merely the creation of money-capital existing temporarily in latent form and intended to function as productive capital.'

* Translator's Note : This is the original draft of the *Contribution to the Critique of Political Economy*, which has not been translated into English and is to be found in the German edition of the *Grundrisse* on pp.872-946. The section referred to here appears on pp.873-78 of that edition.

[39] *Grundrisse*, p.235. Cf. *Capital* I, 232-33 (134-35) : 'With the development of circulation, conditions arise under which the alienation of the commodity becomes separated by an interval of time from the realisation of its price . . . One sort of commodity requires a longer, another a shorter time for its production. Again, the production of different commodities depends on different seasons of the year. One commodity may be born in the market-place, another must travel to a distant market. One commodity owner may therefore step forth as a seller before the other is ready to buy . . . the seller sells an existing commodity, the buyer buys as the mere representative of money, or, rather, as the representative of future money.'

of the metamorphosis of commodities is changed; the relation of debtor and creditor[40] replaces that of buyer and seller, and the money itself takes on the new quality of being a means of payment. Money can only appear in this function insofar as it represents 'the *only appropriate existence of exchange-value*' or the '*absolute form of the commodity*' i.e. has already developed into its third quality. 'Hard money' also 'lurks' in the function of means of payment.[41]

However, this does appear to be contradicted by the fact that with 'the development of the credit system capitalist production continually strives to *overcome* this metallic barrier, which is simultaneously a material and imaginative barrier to wealth and its movement'.[42] For, as Marx says in the *Rough Draft* : 'insofar as payments are equalised, money appears as a disappearing form, a merely ideal, imagined measure of the magnitudes of value which have been exchanged. Its physical intervention is confined to the settlement of relatively insignificant balances.' And further in the text: 'The development of money as universal means of payment goes hand in hand with the development of a higher circulation, mediated, bent back into itself,[43] and already taken under social control, in which the exclusive importance which it possessed on the basis of simple metallic circulation is annulled.'[44] However, 'if the flow of the equalisation of payments is interrupted by sudden upheavals in credit . . . money is suddenly required as a universal means of payment, and the demand is made that wealth in its entirety should exist doubly – first as commodity, and second as money, so that both these forms of existence cover one another. In such

[40] Cf. *Contribution*, pp.138-39. 'In the course of the metamorphosis of commodities the keeper of commodities changes his skin as often as the commodity undergoes a change or as money appears in a new form. Commodity owners thus faced each other originally simply as commodity owners; then one of them became a seller, the other a buyer; then each became alternately buyer and seller; then they became hoarders, and finally rich men. Commodity owners emerging from the process of circulation are accordingly different from those entering the process. The different forms which money assumes in the process of circulation are in fact only crystallisations of the transformation of commodities, a transformation which is in its turn only the objective expression of the changing social relations in which commodity owners conduct their exchange. New relations of intercourse arise in the process of circulation, and commodity owners, who represent these changed relations, acquire new economic characteristics.'

[41] 'For beneath the invisible measure of value lurks hard money.' (*Contribution*, p.70.)

[42] *Capital* III, p.574.

[43] Cf. above, note 11, pp.144-45.

[44] Cf. Chapter 22 below.

moments of crisis money appears as the exclusive form of wealth, which manifests itself in the active devaluation of all real physical wealth, and not in purely imaginary devaluation as in the Monetary System. Value exists in relation to the world of commodities only in its adequate, exclusive form as money.'

Thus 'the inherent contradictions of the development of money as universal means of payment' become evident here. 'Money is not demanded as measure in such circles, since its physical presence as such is irrelevant; nor as coin, since it does not figure as coin in payments. It is rather required as independent exchange-value, as the physically existing universal equivalent, the materialisation of abstract wealth, in short, precisely in the form in which it is the object of hoarding, as money. Its development as the universal means of payment hides the contradiction, that [on the one hand] exchange-value has assumed forms independent of its mode of existence as money, and on the other, that its mode of existence as money is posited as the definitive and only adequate one.'[45]

The same contradiction is revealed in yet another respect: 'As means of payment – money for itself – money should represent value as such; however it is in fact only an identical quantity of variable value.'[46] We have seen 'that changes in the value of gold and silver do not affect their functions as measure of value and money of account'. However, 'these changes are of decisive importance with regard to hoarded money, since with the rise or fall in the value of gold and silver the value of the hoard of gold or silver will rise or fall. Such changes are of even greater importance for money as means of payment.'[47] For 'what is to be paid is a definite quantity of gold or

[45] *Grundrisse*, German edn. pp.875-76. Cf. *Capital* III, p.573. 'But how are gold and silver distinguished from other forms of wealth? Not by the magnitude of their value, for this is determined by the quantity of labour incorporated in them; but by the fact that they represent independent incarnations, expressions of the social character of wealth . . . This social existence of wealth therefore assumes the aspect of a world beyond, of a thing, matter, commodity, alongside of and external to the real elements of social wealth. So long as production is in a state of flux this is forgotten. Credit, likewise a social form of wealth, crowds out money and usurps its place. It is faith in the social character of production which allows the money-form of products to assume the aspect of something that is only evanescent and ideal, something merely imaginative. But as soon as credit is shaken – and this phase of necessity always appears in the modern industrial cycle – all the real wealth is to be actually and suddenly transformed into money, into gold and silver – a mad demand, which, however, grows necessarily out of the system itself.'

[46] *Grundrisse*, German edn. p.871.

[47] *Contribution*, p.148.

silver, in which a definite value i.e. a definite amount of labour-time, was objectified at the time when the contract was concluded. However, gold and silver, like all commodities, change the magnitude of their value with the labour-time required for their production – falling or rising' in value 'as labour-time falls or rises'. 'Consequently it is possible that the realisation (*Realisation*) of the sale from the side of the buyer follows some time after the alienation of the commodity which was sold, that the same quantities of gold or silver contain different, larger or smaller, amounts of value than at the time when the contract was made. Gold and silver retain their specific quality, as money, of being the constantly realised and realisable universal equivalent, of being constantly exchangeable against all commodities in proportion to their own value, independently of any change in the magnitude of their value. However, this magnitude is potentially subject to the same fluctuations as that of every other commodity. Hence whether the payment is made in a real equivalent, i.e. at the magnitude of value originally intended, depends on whether or not the labour-time required for the production of a given amount of gold or silver has stayed the same. The nature of money, as incarnated in a particular commodity, here comes into collision with its function as exchange-value become independent'.[48] 'The total objectification, exteriorisation (*Ausserlichwerdung*) of the social change of matter on the basis of exchange-value appears strikingly in the dependence of all social relations on the production costs of metallic natural objects, which are completely without significance as instruments of production, or agents in the creation of wealth.'[49]

The development of the function of money as means of payment is clearly illustrated in the way in which the forms of commerce, for their part, react upon the relations of production. 'Originally,' we read in the *Contribution*, 'the conversion of products into money in the sphere of circulation appears simply as an individual necessity for the commodity owner when his own product does not constitute use-value for himself, but has still to become a use-value through alienation. In order to make payment on the contractual settlement day, however, he must already have sold commodities. The evolution of the circulation process thus turns selling into a social necessity for him, quite irrespective of his individual needs. As a former buyer of commodities he is forced to become a seller of other commodities so as to obtain money, not as a means of purchase, but as a means of payment . . . The conversion of commodities into money . . . or the

[48] *Grundrisse*, German edn. p.877.
[49] *ibid.* p.878.

first metamorphosis of commodities as the ultimate goal, which in hoarding appeared to be the whim of the commodity owner, has now become an economic function. The motive and the content of selling for the sake of payment constitutes the content of the circulation process, a content arising from its very form.'[50]

4. Money as world money

Finally we come to the role which money plays as the international means of payment and purchase, as world money.

The reader should remember that according to Marx's first outline this subject was to have been analysed in the fifth *Book* of the work, the *Book on Foreign Trade*. However, a section of a chapter devoted to this subject, can already be found in the fragment of the original text to the *Contribution*, the *Urtext*.[51] It is clear that the category of 'money as money' could not be fully elaborated, without at the same time investigating the role of money in international trade. Marx was therefore already obliged to diverge from his original outline as early as 1859.

A reading of the section on world money, which is to be found in the *Urtext*, the *Contribution* and in *Capital* (i.e. three different versions), shows how logical this was.

The role which money is required to play in international exchange 'is not a new quality . . . which comes in addition to that of being money generally, universal equivalent – and therefore both hoard and means of payment'.[52] In fact money, 'when it leaves the domestic sphere of circulation loses the local functions it has acquired there as the standard of prices, coin, and small change, and as a symbol of value, and falls back into its original form as precious metal in the shape of bullion.'[53] It does not assume any special functions on the world market which might distinguish it from those which we already know. Rather, 'as world money', it regains 'its original natural form in which it played a role in barter originally'.[54] In other words: 'In the sphere of international commodity circulation gold and silver appear not as means of circulation but as universal means

[50] *Contribution*, pp.141-42.
[51] *Grundrisse*, German edn. pp.878ff.
[52] *ibid.* p.881.
[53] *Capital* I, p.240 (142).
[54] *Contribution*, p.149. *Grundrisse*, German edn. p.881.

of exchange.'[55] However, money can only function as the universal means of exchange in the form of means of purchase and means of payment.[56] Nevertheless, on the world market the relation of these two forms is reversed.

In the sphere of internal circulation, money (to the extent that it was coin) operated exclusively as means of purchase. On the world market, in contrast to this, 'the function [of money] as a means of payment in the settling of international balances is the chief one'. However, gold and silver function as international means of purchase chiefly when 'the customary equilibrium in the interchange of products between different nations is suddenly disturbed', for example, 'when a bad harvest compels one of them to buy on an extraordinary scale'.[57] In either case, 'money must always exist in its form of a hoard, in its metallic state; in the form in which it is not merely a form of value, but value itself, whose money-form it is'.[58] And finally, money functions on the world market 'as the universally recognised materialisation of social wealth, whenever it is not a matter of buying or paying, but of transferring wealth from one country to another, and whenever its transfer in the form of commodities is ruled out, either by the conjuncture of the market, or by the purpose of the transfer itself (for instance, in subsidies, money loans for carrying on wars or for enabling banks to resume cash payments, etc.)'[59]

Thus, money's form as international means of exchange and payment is not in fact a 'particular form for that purpose'; rather, it fulfils, as such, only functions in which it appears 'most obviously in its simple, and at the same time, concrete form, as money'.[60] In contrast, what really marks out the entry of money onto the world market is 'the universality of its appearance, which corresponds to the universality of its concept'.

For it is on the world market that money first becomes 'the universal commodity, not only according to its concept, but also its mode of existence,' and is 'posited as the commodity as such, the *universal* commodity, which retains its character as wealth in all places'.[61] It is there that 'money first functions to its full extent as the commodity whose natural form is also the directly social form of realisation of human labour in the abstract'.[62] In this sense money first becomes realised in 'its third function' as 'world money' – the 'universal world market commodity'.[63]

[55] *Contribution*, p.150. In this sense world-money can also be characterised as 'world coin'. However, as such, it is distinguished from coin proper by the fact that 'it is indifferent to its formal character' as means of circulation and is 'essentially commodity as such, omnipresent commodity'. To the extent, therefore, that gold and silver function in international trade 'as mere means of exchange, they in fact carry out the function of coin, but coin which has lost its stamp', so that they 'are only valued according to their metallic weight, do not only represent value, but rather *are* it simultaneously'. (*Grundrisse*, p.227; *Grundrisse*, German edn. pp.871, 879.)

[56] *Contribution*, p.150.

[57] *ibid.* p.150, and *Capital* I, p.242 (144).

[58] *Capital* III, p.451.

[59] *Capital* I, p.243 (144).

[60] *Grundrisse*, German edn. p.883.

5. *Concluding remarks*

Our analysis of the role of money in the circuit C-M-C has shown that the process of exchange is simultaneously the process of the formation of money, and that the independence of the universal means of exchange itself represents 'the product of the process of exchange, of the development of the contradictions contained in the commodity'. But note how far removed the final form of money is from its original state! It unexpectedly developed from a modest mediator in the process of exchange into a factor standing outside it, and independent of it. Whereas originally it simply represented commodities, now the situation is the reverse, and the commodities themselves have become representatives of money. 'Every particular commodity, insofar as it is exchange-value, has a price, expresses a certain quantity of money in a merely imperfect form, since it has to be thrown into circulation in order to be realised, and since it remains a matter of chance, owing to its particularity, whether or not it is realised.' To the extent that we regard it not as value, but in its natural property 'it is only a moment of wealth by way of its relation to a particular need which it satisfies, and expresses in this relation 1. only the wealth of uses, 2. only a quite particular facet of this wealth'.

[61] *ibid.* pp.878 and 881.

[62] *Capital* I, p.242 (142). Cf. *Theories* III, p.253: 'But it is only foreign trade, the development of the market to a world market which causes money to develop into world money and abstract labour into social labour. Abstract wealth, value, money, hence abstract labour, develop in the measure that concrete labour becomes a totality of different modes of labour embracing the world market. Capitalist production rests on value, i.e. on the transformation of the labour embodied in the product into social labour. But this is only possible on the basis of foreign trade and of the world market. This is at once the pre condition and the result of capitalist production.'

[63] Therefore Marx repeatedly stresses that 'real money', 'money in the eminent sense of the term' only exists as 'world market money' in the 'universal world market commodity'. (*Capital* III, pp.430, 534.)

By contrast money is on the one hand 'the adequate reality of exchange-value . . . as general wealth itself, concentrated in a particular substance . . . individualised . . . as an individuated, tangible object';[64] on the other hand, it satisfies 'every need, insofar as it can be exchanged for the desired object of every need'. Consequently, money is not only the universal form of social wealth 'in contrast to all the substances of which it consists', but at the same time also its material representative, 'which in its unalloyed metallic shape, contains all the physical wealth evolved in the world of commodities in a latent state'.[65] 'Functioning as a medium of circulation, gold suffered all manner of injuries, it was clipped and even reduced to a purely symbolic scrap of paper. Its golden splendour is restored when it serves as money. The servant becomes the master. The mere underling becomes the god of commodities.'[66]

In another passage Marx writes: 'The special difficulty in grasping money in its fully developed character as money . . . is that a social relation, a definite relation between individuals, here appears as a metal, a stone, as a purely physical, external thing which can be found, as such, in nature, and which is indistinguishable in form from its natural existence . . . It is not at all apparent on its face that its character of being money is merely the result of social processes; it *is* money. This is all the more difficult since its immediate use-value for the living individual stands in no relation whatsoever to this role, and because, in general, the memory of use-value, as distinct from exchange-value, has become entirely extinguished in this incarnation of pure exchange-value. Thus the fundamental contradiction contained in exchange-value, and in the social mode of production corresponding to it, here emerges in all its purity.'[67]

However: 'Money in its final, completed character now appears in all directions as a contradiction which dissolves itself, drives towards its own dissolution. As the general form of wealth the whole world of real riches stands opposite it.' But 'where wealth as such seems to appear in an entirely material, tangible form, its existence is only in my head, a pure fantasy . . . On the other side, as material representative of general wealth, it is realised only by being thrown back into circulation, to disappear in exchange for the singular, particular modes of wealth.' If one wants 'to cling to it, it evaporates in the hand to become a mere phantom of real wealth'; but if one

[64] *Grundrisse*, pp.218, 221, and cf. note 11, p.103 above.
[65] *Grundrisse*, p.221, and *Contribution*, p.124.
[66] *Contribution*, pp.124-25.
[67] *Grundrisse*, pp.239-40.

dissolves it into individual gratifications 'it becomes lost to the accumulating individual'. However 'accumulating to increase it . . . turns out again to be false. If the other riches do not accumulate, then it loses its value in the measure in which it is accumulated. What appears as its increase is in fact its decrease. Its independence is a mere semblance; its independence of circulation exists only in view of circulation, exists as dependence on it. It pretends to be the general commodity, but because of its natural particularity it is again a particular commodity, whose value depends both on supply and demand, and on variations in its specific costs of production . . . As absolutely secure wealth, entirely independent of my individuality, it is at the same time, because it is something external to me, the absolutely insecure, which can be separated from me by accident . . . It therefore suspends itself as completed exchange-value.'[68]

The resolution of this glaring contradiction will first emerge in the chapter on capital in the *Rough Draft*. Only this much is intimated here: 'To develop the concept of capital it is necessary to begin not with labour, but with value, and, indeed, with exchange-value as already developed in the movement of circulation . . . The first quality of capital is, then, this; that exchange-value deriving from circulation and presupposing circulation preserves itself within it and by means of it; does not lose itself by entering into it; that circulation is not the movement of its disappearance, but rather the movement of its self-positing as exchange-value, its self-realisation as exchange-value.'[69] Hence the fundamental contradiction of money, as the final product of simple commodity circulation, of the circuit C-M-C, can only be overcome through the process of capitalist production, i.e. in the circuit M-C-M.

[68] *ibid.* pp.233-34.
[69] *ibid.* pp.259-60.

PART THREE
The Section on the Production Process

9.
Introductory Remarks

(On the actuality of the law of value in the capitalist economy)

The result of the analysis up until now can be summarised most succinctly by the order of development: Commodity – Value – Money – Capital. Marx himself gave us timely warning that this is by no means simply a question of concepts and their dialectic,[1] and that the logical succession of the categories simultaneously reflects real historical development. With this proviso our series of stages of development states nothing more than that each of the categories mentioned leads out beyond itself, and that none of them could be completely understood without the preceding ones. However, the converse also seems to be true; namely, each of the categories presupposes the succeeding ones, and could only fully develop on their basis. It is clear, for example, that the category of capital cannot be elaborated without those of the commodity, value and money; but it is equally true that these most general categories can only become fully developed on the basis of capital and the capitalist mode of production. How can this 'contradiction' be solved, and which of the two interpretations of the order of development is the correct one?

Here we come to an old, but continually reappearing objection to Marx's conception of the capitalist mode of production.[2]

[1] Cf. Chapter 5 above.
[2] This objection goes back as far as Tugan-Baranovsky.

The object of the attack is the close connection between Marx's theory of value and his theory of capital – the fact that, in order to arrive at the laws of the capitalist mode of production, Marx proceeds from the analysis of simple commodity production,[3] which presupposes the social equality of the participants in exchange, and therefore disregards the inequality which characterises capitalist production. Or, as we read in one of the most recent of Marx's critics, Rudolf Schlesinger: 'The fact that even great men occasionally make logical mistakes is not important for us, but it is important that Marx derived laws valid for a certain model [i.e. for the capitalist economic order] from those valid in the model which was simpler in structure and earlier in historical succession', i.e. from the 'model' of the simple commodity economy.[4]

As in many other instances, it was Marx himself who first formulated these 'misgivings'. Thus, writing in the *Rough Draft* against Adam Smith and the economists who followed him, Marx stated: 'All the modern economists declare that . . . the individual's own labour is the original title to property, be this in a more economic or a more juristic manner, and that property in the result of the individual's own labour is the basic presupposition of bourgeois society . . . This presupposition is itself based on the assumption *that exchange-value is the economic relation governing the entire relations of production and commerce*, and is therefore itself a historical *product* of bourgeois society, the society of developed exchange-value. On the other hand, since contradictory laws seem to emerge in the study of more concrete economic relations than are presented by simple circulation, all classical economists, up to Ricardo, prefer to allow that conception which springs from bourgeois society itself to count as a general law, but to banish its actual reality to a golden age, *where no property yet existed*. To the age before the economic Fall of Man, as it were, like Boisguillebert for example. *So that the peculiar result emerges, that the true operation of the law of appropriation of bourgeois society has to be transferred to a time when this society did not yet exist, and the basic law of property to the age of propertylessness.*'[5]

Although it is the law of appropriation which is under discussion here, exactly the same can be said in relation to the law of value. We read in the *Theories*: 'Ricardo sought to prove that, apart from certain exceptions, the separation between capital and wage-labour

[3] F.Oppenheimer, *Wert und Kapitalprofit*, pp.176ff.
[4] R.Schlesinger, *Marx, His Time and Ours*, 1950, pp.96-97.
[5] *Grundrisse*, German edn. pp.903-04.

does not change anything in the determination of the value of commodities. Basing himself on the exceptions noted by Ricardo, Torrens rejects the law. He reverts to Adam Smith (against whom the Ricardian demonstration is directed) according to whom the value of commodities was determined by the labour-time embodied in them in "that early period" when men confronted one another simply as owners and exchangers of goods, but not when capital and property in land have been evolved. This means . . . that the law which applies to commodities qua commodities no longer applies to them once they are regarded as capital or products of capital, or as soon as there is, in general, an advance from the commodity to capital. On the other hand, the product first wholly assumes the form of a commodity – both in the sense that the entire product has to be transformed into exchange-value and in the sense that all the ingredients necessary for its production enter it as commodities – it first wholly becomes a commodity with the development of, and on the basis of, capitalist production. Thus the law of value is supposed to be valid for a type of production which produces no commodities (or produces commodities only to a limited extent) and not to be valid for a type of production which is based on the product as a commodity. The law itself, as well as the commodity as the general form of the product, is abstracted from capitalist production and yet it is precisely in respect of capitalist production that the law is held to be invalid.'[6] Thus what Torrens concludes is 'that here, within capitalist production, the law of value suddenly changes. That is, that the law of value, which is abstracted from capitalist production, contradicts capitalist phenomena. And what does he put in its place? Absolutely nothing but the crude, thoughtless expression of the phenomenon which is to be explained.'[7]

Marx therefore emphatically rejects the conceptions held by Smith and Torrens; it does not occur to him to transfer the operation of the law of value to the 'Golden Age' of pre-capitalist society, since this 'Golden Age', as the bourgeois economists visualise it, is a 'pure fiction' which arises from the surface appearance of the capitalist circulation of commodities, and which Adam Smith, 'in the true eighteenth-century manner puts in the prehistoric period, the period preceding history'.[8] In reality, 'the earliest form of production was

[6] *Theories* III, p.74. Schlesinger refers to just this passage when he speaks of Marx's 'stubborn attempts to save for "value", in a stage when commodities are exchanged at production prices, a meaning which cannot be upheld except by tautologies'. (The real meaning of the passage escapes him.)

[7] *Theories* III, pp.72-73.

[8] *Grundrisse*, p.156.

based on native communities within which private exchange only appears as a quite superficial and secondary exception. However with the historical dissolution of these communities relations of dominance and servitude appear, relations of force, which stand in glaring contradiction to the mild circulation of commodities, and the relations which corresponded to it.'[9] In contrast to these attempts to transfer the reality of the law of value to 'pre-Adamite' times, to the 'paradise lost of the bourgeoisie, where people did not confront one another as capitalists, wage-labourers, landowners, tenant farmers, usurers and so on, but simply as persons who produced commodities and exchanged them',[10] Marx repeatedly stresses that, as on the one hand, the capitalist mode of production 'presupposes above all the circulation of commodities, and hence of money as its basis',[11] so on the other hand commodity production 'does not become the normal, dominant type of production . . . until capitalist production serves as its basis'; that consequently commodity production, 'in its general, absolute form' is precisely the capitalist production of commodities.[12] For 'only where wage-labour is its basis does commodity production impose itself upon society as a whole',[13] and only then can the law of value emerge from the embryonic form, which it possessed under pre-capitalist conditions, to become one of the moving and ruling determinants in the totality of social production. For Marx, therefore, the law of value, far from belonging to the past, is particularly characteristic of capitalist society, and first attains its full validity within it. But how can this be reconciled with the fact (continually emphasised by Marx) that in a developed capitalist society the centre 'around which market prices oscillate' is not the value of a commodity but the price of its production, which diverges from its value? Thus, if Marx asked (in his polemic against Torrens) how it is that the law of value, which was abstracted from capitalist production, should not apply to this very form of production, it could equally be asked how this same law could in fact be abstracted from a mode

[9] *Grundrisse*, German edn. p.904.

[10] *Contribution*, p.59.

[11] *Capital* III, p.324.

[12] *Capital* II, pp.33, 141. Cf. *Theories* III, p.313: 'That it is only on the basis of capitalism that commodity production or the production of products as commodities becomes all-embracing and affects the nature of the products themselves'.

[13] *Capital* I, p.733 (587). Cf. *Capital* II, p.119: 'As a matter of fact capitalist production is commodity production as the general form of production. But it is so, and becomes so more and more in the course of its development, only because labour itself appears here as a commodity, because the labourer sells his labour, that is, the function of his labour-power.'

of production, whose immediately given phenomena *prima facie* contradict it?

This is not, however, the place to go into the so-called contradiction between Volumes I and III of *Capital*, i.e. the problem of the 'transformation of values into prices of production'. (We shall come back to this later.) Our sole concern here is the methodological aspect of the problem – the question as to whether, from Marx's standpoint, one can speak of two different 'models', that of the simple commodity economy and that of the capitalist economy, and whether, in fact, Marx derived the laws of the latter from the former?

The answer can be found in Marx's Introduction to the *Rough Draft*, in fact in the famous section on the 'Method of Political Economy'. Marx demonstrates how the method of 'rising from the abstract to the concrete is only the way in which thought appropriates the concrete, reproduces it as the concrete in thought. But this is by no means the process by which the concrete itself comes into being.' Thus, 'the simplest economic category, e.g. exchange-value' in its completed form, 'can never exist other than as an abstract, one-sided relation within an already given, concrete living whole' (that is, capitalist society), although 'as a category' exchange-value seems to lead 'an antediluvian existence'. And consequently: 'In the succession of the economic categories, as in any other historical, social science, it must not be forgotten that their subject – here modern bourgeois society – is always what is given, in the head as well as in reality, and that these categories therefore express the forms of being, the characteristics of existence, and often only individual sides of this specific society, this subject, and that therefore this society by no means begins only at the point where one can speak of it *as such*; this holds for *science as well*.'[14] (For us it began with the analysis of the commodity and of money.)

After demonstrating in this way the abstract character of the 'simplest categories', Marx asks further: 'But do not these simpler categories also have an independent historical or natural existence predating the more concrete ones? That depends.' For example, money can exist 'and did exist historically, before capital existed, before banks existed, before wage-labour existed etc.' However: 'Although money everywhere plays a role from very early on, it is nevertheless a predominant element, in antiquity, only within the confines of certain one-sidedly developed nations, trading nations. And even in the most advanced parts of the ancient world, among

[14] *Grundrisse*, pp.101, 106.

the Greeks and Romans, the full development of money, which is presupposed in modern bourgeois society, appears only in the period of their dissolution.' Thus 'although the simpler category may have existed historically before the more concrete, *it can achieve its full (intensive and extensive) development* [*only*] . . . *in the most developed conditions of society*.'[15]

Labour provides another example: 'Labour seems a quite simple category. The conception of labour in this general form – as labour as such – is also immeasurably old. Nevertheless, when it is economically conceived in this simplicity, "labour" is as modern a category as are the relations which create this simple abstraction.' This is because, 'Indifference towards any specific kind of labour presupposes a very developed totality of real kinds of labour, of which no single one is any longer predominant . . . On the other side, this abstraction of labour as such is not merely the mental product of a concrete totality of labours. Indifference towards specific labours corresponds to a form of society in which individuals can with ease transfer from one labour to another, and where the specific kind is a matter of chance for them, hence of indifference.'

However, such a situation is encountered for the first time in a developed capitalist society.[16] Marx concludes: 'This example of labour shows strikingly how even the most abstract categories, despite their validity – precisely because of their abstractness – for all epochs, are nevertheless, in the specific character of this abstraction, themselves likewise a product of historical relations, and *possess their full validity only for, and within these relations*.'[17]

What Marx says here on the category of labour also applies of course to the category of value as determined by labour. This category also had an 'antediluvian existence', it too existed historically long before capitalist production, although only in an immature and embryonic form, and by no means 'penetrated all economic relations'. To this extent, 'it is quite appropriate to regard the values of commodities as not only theoretically, but also historically prior to

[15] *ibid.* pp.101-04.

[16] Cf. *Capital* I, p.152 (60): 'The secret of the expression of value, namely the equality and equivalence of all kinds of labour because and insofar as they are human labour in general, could not be deciphered until the notion of human equality had already acquired the permanence of a fixed popular opinion. This however becomes possible only in a society where the commodity-form is the universal form of the product, hence the dominant social relation is the relation between men as possessors of commodities.'

[17] *Grundrisse*, pp.103, 104, 105.

the prices of production'.[18] However, the category of value only appears in its developed form in capitalist society, since only in this society does commodity production become the general form of production.[19]

In fact, products become commodities in a capitalist society, to the same degree that all commodities also become the products of capital. For this reason a modification of the law of value must take place. Hence the law of value only operates as an abstract determinant here, expressing only one aspect of capitalist society – although a fundamental one; namely the fact that all economic subjects have to relate to one another as exchangers of commodities (including the mutual relation of worker and capitalist).[20] However, abstract determinants cannot be applied directly to 'further developed concrete relations'; they have first to be mediated. And this mediation is established by the category of prices of production. Consequently the 'inversion of the law of value', the dialectical transition from labour-value (or the simple commodity economy) to prices of production (or capital) is not a historical deduction, but a method of comprehending the concrete, i.e. capitalist society itself. In other words (to go back to Marx's critics) it is not a question of two different 'models', but of one and the same model – that of the modern capitalist mode of production – which can only be apprehended by uncovering the internal laws of its movement, hence by means of the 'ascent from the abstract to the concrete'. In order to understand the prices of production, which appear on the surface, we must go back to their hidden cause, value. And those who do not agree to this must confine themselves to mere empiricism, and therefore abandon any attempt to give a real explanation of the processes of the capitalist economy.

So much then on the way in which Marx solved the question of the 'actuality of the law of value'. This chapter was included to make it easier to understand what comes later. The reader should realise in advance why Marx begins with the analysis of simple commodity circulation, and the role allotted to this analysis in his theory. And he should not overlook the fact that this is a question of the most abstract sphere of capitalist production; of a sphere behind

[18] *Capital* III, p.177.

[19] Cf. Chapter 4 of Rubin's work referred to previously.

[20] As far as this relation is concerned Marx's critics cannot deny that the most important exchange of all – the purchase and sale of labour-power – conforms, primarily, to the law of value, i.e. the 'first model', despite the modifications indicated by Marx himself. (See *Capital* III, pp.159-60.)

which 'yet another world conceals itself, the world of the interconnections of capital',[21] in which a radical inversion (*Umschlag*) of both the law of value and the law of appropriation becomes unavoidable.

[21] *Grundrisse*, p.639.

10.

The Law of Appropriation in a Simple Commodity Economy

The 'Chapter on Capital'[1] which follows the 'Chapter on Money' opens with an illuminating study of the 'law of appropriation, as it appears in simple circulation'.[2] This is a welcome complement to Volume I of *Capital*, where this theme is only touched on incidentally.[3]

Up until now Marx's presentation has not gone beyond the sphere of simple circulation. In simple commodity circulation the exchangers initially confront each other as persons who can only acquire each other's commodities on the basis of a voluntary agreement to exchange, and who must therefore acknowledge each other as the owners of private property. The exchange relation itself does not tell us how they became commodity owners, and how the original appropriation of the commodities came about. However, since the commodity as value simply represents objectified labour, and since from the standpoint of circulation 'alien commodities, i.e. other people's labour, can only be appropriated through the *alienation* of one's own, it follows that the property in the commodity which precedes exchange appears [as] . . . arising directly from the labour of its owner, and labour appears as the original mode of appropriation . . . as the legal title to property.' It was in this sense that the classical

[1] The entire 'Chapter on Capital' was (as we learn from the editorial note on p.150 of the German edition of the *Grundrisse*) originally designated as the 'Chapter on Money as Capital', and it is therefore incomprehensible why the publishers of the work use this original title as the contents guide on the top edge of pp.151-62, which are devoted to the analysis of the 'law of appropriation'. The Soviet economist Leontiev takes this erroneous guide at its face value and struggles to prove to his readers that 'although, at first sight the content of pp.151-62 does not appear to correspond to the heading provided by Marx' this is, in reality, merely an 'apparent contradiction'. (*O pervonatshalnom nabroske 'Kapitala'* Marksa, Moscow, 1946, p.27.)

[2] So designated in the *Index zu den 7 Heften*, in both versions. (pp. 151-62 and 901-18, *Grundrisse*, German edn.)

[3] Cf. *Capital* I, pp.178-79 (85-86), 279-80 (176).

economists pronounced '*property in the result of the individual's own labour to be the basic presupposition of bourgeois society*'.[4]

The 'law of appropriation through one's own labour' which characterises the simple commodity economy gives rise to 'a realm of bourgeois freedom and equality based on this law [which] spreads out, on its own accord in circulation'. The principle of reciprocity, 'the pre-established harmony between the owners of commodities', is also a consequence of this law.[5]

In fact, 'although individual A feels a need for the commodity of individual B, he does not appropriate it by force', and neither does the commodity owner B, but rather, 'they recognise one another reciprocally as proprietors, as persons whose will penetrates their commodities'. In this way, the 'juridical moment of the Person and of *Freedom*, insofar as it is contained in the former', enters the relation of the commodity owners. (Marx remarks in this connection: 'In Roman Law the slave is therefore correctly defined as one who may not enter into exchange for the purpose of acquiring anything for himself.') Admittedly, a certain element of compulsion is contained in the fact that the partners in exchange are driven to exchange by their needs. Looked at in this way, however, 'it is only my own nature, this totality of needs and drives, which exerts a force on me; it is nothing alien . . . But it is after all, precisely in this way that I exercise compulsion over the other person and drive him into the system of exchange'.[6] In this way the circulation of commodities reveals itself directly as the realisation of the freedom and independence of the owners of commodities.

In exchange, individuals confront each other merely as the owners of commodities, and each of these individuals 'has the same social relation towards the other as the other has to him. As subjects of exchange, their relation is that of *equality*. It is impossible to detect any trace of distinction, not to speak of contradiction, between them.'[7] Of course the exchangers represent different needs and different use-values. This situation, 'far from endangering the social equality of the individuals, rather makes their natural difference into the basis of their social equality. If individual A had the same need as individual B, and if both had realised their labour in the same object, then no relation whatever would be present between them; considering only their production, they would not be different indi-

[4] *Grundrisse*, German edn. pp.902, 903.

[5] *ibid.* p.904.

[6] *Grundrisse*, pp.243-46.

[7] *ibid.* p.241.

viduals at all. Both have the need to breathe; for both the air exists as atmosphere; this brings them into no social contact; as breathing individuals they relate to one another only as natural bodies, not as persons. Only the differences between their needs and between their production give rise to exchange and to their social equation in exchange; these natural differences are therefore the precondition of their social equality in the act of exchange, and of this relation in general, in which they relate to one another as productive.'[8]

On the other hand, 'The commodities which they exchange are, as exchange-values, also equivalents . . . which not only are equal but are expressly supposed to be equal'; and 'if one individual, say, cheated another this *would happen not because of the nature of the social function in which they confront one another* . . . but only because of natural cleverness, persuasiveness etc., in short only the purely individual superiority of one individual over another'.[9] Here therefore, both the exchanging subjects and the objects exchanged seem subject to the law of equality.

Finally, in exchange, in addition to the quality of freedom and equality comes that of reciprocity: 'Individual A serves the needs of individual B by means of the commodity "a" only insofar as and because individual B serves the needs of individual A by means of the commodity "b", and vice versa. Each serves the other in order to serve himself; each makes use of the other, reciprocally, as his means.' Consequently, it is also 'present in the consciousness of the exchanging subjects that each arrives at his end only insofar as he serves the other as means; that each is a means for the other; and finally that the reciprocity in which each is simultaneously means and end, and in fact only attains his end through becoming a means for the other, and only becomes means by attaining his end, is a necessary fact, presupposed as a natural precondition of exchange, but that as such it is irrelevant to each of the two subjects of the exchange and is only of interest to him to the extent that it satisfies *his* interest.'[10]

Marx says in another passage that the economists 'express this as follows: each pursues his private interest and only his private interest;

[8] *ibid.* p.242.
[9] *ibid.* p.241.
[10] *ibid.* pp.243-44, and *Grundrisse*, German edn. pp.911-12. 'The common interest', we read further on in the text, 'is indeed recognised as a fact by both sides, but it is not a motive as such; rather it exists, so to speak, only behind the backs of these self-reflected individual interests . . . At most the individual can have the consoling awareness that the satisfaction of his most selfish individual interests is precisely the realisation of the superseded antithesis, of the general social interest . . . The general interest is precisely the generality of self-seeking interests.'

and thereby serves the private interests of all, the general interest, without willing or knowing it.' However: 'The real point is not that each individual's pursuit of his private interest promotes the totality of private interests, the general interest. One could just as well deduce from this abstract phrase that each individual reciprocally blocks the assertion of the others' interests so that, instead of a general affirmation, this war of all against all produces a general negation. The point is rather that private interest is itself already a socially determined interest, which can be achieved only within the conditions laid down by society, and with the means provided by society . . . It is the interest of private persons; but its content, as well as the form and means of its realisation, is given by social conditions independent of all of them.'[11]

Marx further examines how the commodity owners' conceptions of equality, freedom and reciprocity, which arise from commodity exchange, are consolidated and perfected through the money system. This is related primarily to money's role as 'equaliser'. As a 'radical leveller'[12] it extinguishes all natural differences and makes 'a worker who buys commodities for 3s . . . appear in the same function, in the same equality . . . as the king who does the same'.[13] And even accumulation, the petrification of money into a hoard, only abolishes the equality of the commodity owners in appearance. For 'if one individual accumulates and the other does not, then none does it at the expense of the other . . . He can only take in the form of money, what is there in the form of the commodity . . . One enjoys the content of wealth, the other takes possession of wealth in its general form. If one grows impoverished and the other grows wealthier, this is a question of their own discretion, their thrift, industry,[14] morality etc., and by no means emerges of itself from the economic relations . . . in which the individuals in circulation confront one another.'

Furthermore; 'even *inheritance*, and similar legal relations, which might prolong any such inequalities, do not detract from this social equality. If individual A's relation was not in contradiction with equality originally, then such a contradiction can surely not arise from the fact that individual B steps into the place of individual A, thus perpetuating him. Inheritance is rather an assertion of the social law beyond the natural life-span, and a reinforcement of it against the chance influences of nature; the intervention of the latter tends

[11] *Grundrisse*, p.156.
[12] *Capital* I, p.229 (132).
[13] *Grundrisse*, p.246.
[14] i.e. industriousness.

rather to do away with the freedom of the individual. Moreover, since the individual in this relation is merely the individuation of money, *he is therefore as such as immortal as money itself*.'[15]

So much then for the 'harmonies of freedom and equality' which necessarily arise from the real conditions of commodity exchange, and which make it appear as 'a very Eden of the innate rights of man'.[16] It is not at all surprising that the apologists of capitalism, right up to the present day, prefer to retreat to the realm of simple commodity exchange, when they wish to conjure away the contradictions of the capitalist economic order! Because of the fact that capitalist relations are also relations of exchange, they are now regarded merely as such. Marx remarks: 'What all this wisdom comes down to is the attempt to stick fast at the simplest economic relations, which, conceived by themselves, are pure abstractions; but these relations are in reality mediated by the deepest antitheses, and represent only one side, in which the full expression of the antitheses is obscured.'[17] Consequently, if bourgeois economists hold up the relations of simple commodity exchange as a refutation of 'the more developed economic relations in which individuals relate to one another no longer merely as buyers or sellers but in specific relations . . . then it is the same as if it were asserted that there is no difference, to say nothing of antithesis and contradiction, between natural bodies, because all of them, when looked at from e.g. the point of view of their weight, have weight, and are therefore equal; or are equal because all of them occupy three dimensions.' The economists forget here that even the presupposition with which they begin 'by no means arises either out of the individual's will, or out of the immediate nature of the individual, but that it is rather historical' and that in developed commodity circulation, 'the individual has an existence only as a producer of exchange-value, hence the whole negation of his natural existence is already implied'.[18] And on the other hand they forget that the sphere of commodity circulation merely represents the surface of bourgeois society beneath which, however, 'in the depths, entirely different processes take place', giving rise to 'different, more involved' economic relations 'which collide to a greater or lesser extent with the freedom and independence of the individuals'.

In order to demonstrate the completely unhistorical character of

[15] *Grundrisse*, p.247 and *Grundrisse*, German edn. p.915.

[16] *Capital* I, p.280 (176).

[17] 'What is overlooked . . . is that already the simple forms of exchange-value and of money latently contain the opposition between labour and capital etc.' (*Grundrisse*, p.248.)

[18] *Grundrisse*, pp.247-48.

this 'infantile abstraction' of bourgeois apologetics, Marx turns to the social division of labour, which constitutes the precondition of commodity production. The classical economists (from Petty to Smith) understood the division of labour as being 'correlative with exchange-value' since the products which assume the form of commodities and values are in fact nothing other than labour realised in different ways and in different use-values, nothing other than 'the objective existence of the division of labour'. This division simply expresses, 'in active form, as the particularisation of labour . . . what the different use-values express in material form'. In commodity exchange the division of labour only appears 'in the result'; it merely expresses the fact 'that the subjects of exchange produce different commodities, which correspond to different needs, that if each individual depends on the production of all, all depend on his production in that they mutually complement each other, and that in this way the product of each individual, through the circulation process and to the extent of the amount of value he possesses, is a means of participating in social production as a whole.'[19] However, this obscures the more complex economic relations which are comprised in the social division of labour. It is clear, though, that commodity production 'does not merely presuppose the division of labour in a general sense, but a specifically developed form of it',[20] which is manifested in the isolation of the individual, 'the assertion of the individual's independence at each particular point'[21] and the private character of the commodity producers.[22] And it is this specific form of the division of labour which is the crucial issue! For, if we look only at the exchange relation as such, 'an English tenant farmer and a French peasant stand in the same economic relation. But the French peasant only sells the small amount of surplus left over from the production of his family. He consumes most of the product himself, and hence does not relate to the bulk of it as exchange-value, but as use-value, a direct means of subsistence. In contrast, the English tenant farmer is completely dependent on the sale of his product, thus on its sale

[19] *Grundrisse*, German edn. pp.907-09.

[20] *ibid.* p.905.

[21] '*punktuelle Verselbständigung*' (*ibid.* p.906.) A concept drawn from Hegel.

[22] Thus the social division of labour – and often in a rather developed form – also existed in the primitive communist communities, although this did not mean that the products they produced assumed the form of commodities. But though it is correct 'to say that individual exchange presupposes the division of labour, it is wrong to maintain that division of labour presupposes individual exchange'. (*Contribution*, p.60.)

as a commodity, and hence on the social use-value of his product. His entire production is therefore determined and seized on by exchange-value.'

Marx concludes that this shows 'what a very different development of the productive forces of labour, and its division, what different relations between individuals within production, are required so that grain, for example, may be produced as simple exchange-value, and thus enter in its entirety into circulation; and what economic processes are required to make an English farmer out of a French peasant.'[23] However, it is not the peasant, living in a semi-natural economy, who is a characteristic figure of developed commodity production, but the capitalist farmer – since production for the market is of decisive importance in the latter case. The analysis of the form of the division of labour, as the basis of commodity exchange, therefore leads to the result (already known to us) that we must presuppose 'the entire system of bourgeois production in order that exchange-value may appear, on the surface of things, as the simple point of departure', and in order that the members of society 'may confront each other in the circulation process as *free producers in the simple relation of buyers and sellers*, and figure as its independent subjects'.[24] It is therefore no accident that the ideas peculiar to developed commodity production, summed up in the 'trinity of property, freedom and equality', were first theoretically formulated by the Italian, English and French economists of the seventeenth and eighteenth centuries. These ideas thus merely anticipated the realisation of this trinity in modern bourgeois society. Far from expressing certain eternal characteristics of human nature, these ideas are rather mere reflections of the capitalist process of exchange, which constitutes their real basis. 'As pure ideas they are idealised expressions of its different moments; as developed in legal, political and social relations they are simply reproduced in other planes.'[25]

So much for the bourgeois-apologist misinterpretation of simple commodity circulation and the laws arising from it.[26] Marx saw a counterpart to this 'in the foolishness of those socialists (in particular the French, who want to depict socialism as the realisation of the

[23] *Grundrisse*, German edn. p.906.
[24] *ibid.* p.907.
[25] *ibid.* pp.915-16. Marx adds: 'And so it has been in history. Equality and freedom as developed to this extent are exactly the opposite of the freedom and equality in the world of antiquity, where developed exchange-value was not their basis, but where rather the development of that basis destroyed them.' (*Grundrisse*, p.245. Cf. Engels, *Anti-Dühring*, p.124.)
[26] Cf. the short sketch 'Bastiat and Carey' in the *Grundrisse*, pp.883-93.

ideals of bourgeois society articulated by the French Revolution) who maintain that exchange and exchange-value etc. are originally (in time) or essentially (in their adequate form) a system of universal freedom and equality, but have been perverted by money, capital, etc.' The answer to these socialists (Marx is thinking above all of Proudhon[27]) is that 'exchange-value or, more precisely, the money system, is in fact the system of equality and freedom, and that the disturbances which they encounter in the further development of the system are disturbances inherent in it, are precisely the realisation of equality and freedom, which turn out to be inequality and unfreedom.'[28]

An extremely important methodological conclusion follows from what has been said: since the production process 'as it *appears* on the *surface* of society' knows no other mode of appropriation than the 'appropriation of the product of labour by labour, and of the product of alien labour by the individual's own labour', based on the equality, freedom and reciprocity of the producers, it follows that the contradictions which emerge in the course of the development of commodity production 'must be derived just as much as this law of the original appropriation of labour, *from the development of exchange-value itself*'.[29] Simple commodity circulation only seems to allow the acquisition of property in alien labour by the surrender of the individual's own labour i.e. only through the exchange of equivalents. The theory now has to demonstrate how this changes in the course of further development, and how it eventually comes about that 'private property in the product of one's own labour is identical with the separation of labour and property, so that labour will create alien property and property will command alien labour'.[30]

[27] Cf. *Capital* I, pp.178-79 n.1 (84-85 n.2).
[28] *Grundrisse*, pp.248-49.
[29] *Grundrisse*, German edn. p.904.
[30] *Grundrisse*, p.238.

11.

The Transition to Capital

('The development of capital out of money')[1]

We now come to the main subject of Marx's analysis – the category of capital. The first question is naturally: What is capital? How is its concept to be developed?

We read in the *Rough Draft* that the Classical economists often conceive of capital as 'accumulated (properly speaking objectified[2]) labour, which serves as the means for new labour'. However, 'it is just as impossible to proceed directly from labour to capital, as it is to go from the different human races directly to the banker, or from nature to the steam-engine'. The usual definition says basically nothing more than that capital is a means of production, 'for, in the broadest sense, every object, including those furnished purely by nature e.g. a stone, must first be appropriated by some sort of activity before it can function as an instrument, as means of production. According to this, capital would have existed in all forms of society, and is something altogether ahistorical. Hence every limb of the body is capital, since each of them not only has to be developed through activity, labour, but also nourished, reproduced, in order to be active as an organ. The arm, and especially the hand, are then capital. Capital would be only a new name for a thing as old as the human race, since every form of labour, including the least developed, hunting, fishing etc. presupposes that the product of prior labour is used as means for direct, living labour.'

Thus the above definition only 'refers to the simple material of

[1] The chapter 'The Transition to Capital' is present in two versions in the *Grundrisse*, as was the previous chapter. These are in the main manuscript itself (pp.239ff of the English edition of the *Rough Draft*) and also in the fragment of the *Urtext: 'Zur Kritik'* (original text of the *Contribution*) to be found on p.919ff of the German edition. Both versions are used here.

[2] 'Already in *accumulated* labour, something has sneaked in, because, in its essential characteristic, it should be merely *objectified* labour, in which, however, a certain amount of labour is accumulated. But accumulated labour already comprises a quantity of objects in which labour is realised.' (*Grundrisse*, p.258.)

capital without regard to the formal character without which it is not capital'. 'If then the specific form of capital is abstracted away, and only the content is emphasised, as which it is a necessary moment of all labour, *then of course nothing is easier than to demonstrate that capital is a necessary condition for all human production.* The proof of this proceeds precisely by abstraction from the specific aspects which make it the moment of a specifically developed *historic* stage of human production. The catch is that if all capital is objectified labour which serves as means for new production, it is not the case that all objectified labour which serves as means for new production is capital. *Capital is conceived as a thing, not as a relation.*'[3]

At first sight another explanation seems to be more promising, namely that which conceives of capital as a 'sum of values' or 'self-reproducing exchange-value'. At least this 'contains the *form* wherein exchange-value[4] is the point of departure',[5] instead of an accumulation of the material products of labour. However: 'Every sum of values is an exchange-value, and every exchange-value is a sum of values. I cannot get from exchange-value to capital by means of mere addition.'[6] On the other hand, 'while all capital is a sum of commodities, that is, of exchange-values, not every sum of commodities, of exchange-values, is capital'.[7] Thus the second explanation is of no more use than the first.

In fact, the economists help themselves out of their predicament by defining as 'capital' any value 'which produces a *profit* or which is at least employed with the intention of producing a profit'. But in this case they simply assume what has to be explained, 'since profit

[3] *ibid.* pp.257-59. Cf. the well-known passage from Marx's *Wage-Labour and Capital* (1847): 'Accumulated labour which serves as a means of new production is capital. So say the economists – What is a Negro slave? A man of the black race. The one explanation is as good as the other. A Negro is a Negro. He only becomes a slave in certain relations. A cotton-spinning Jenny is a machine for spinning cotton. It becomes *capital* only in certain relations. Torn from these relationships it is no more capital than gold in itself is money or sugar the price of sugar.' And further: '*Capital*, also, is a social relation of production. *It is a bourgeois production relation*, a production relation of bourgeois society. Are not the means of subsistence, the instruments of labour, the raw materials of which capital consists, produced and accumulated under given social conditions, in definite social relations? Are they not utilised for new production under given social conditions, in definite social relations? And is it not just this definite social character which turns the products serving for new production into *capital?*' (*Selected Works*, pp.79-80.)

[4] Cf. Note 8 on p.111 above.

[5] *Grundrisse*, p.258.

[6] *ibid.* p.251.

[7] *Wage-Labour and Capital* (*Selected Works*, p.81.)

is a specific relation of capital to itself'.[8] It is clear that this does not answer the question. Capital must be understood as self-augmenting value, and hence as a process. And for this purpose it is necessary to proceed, not from a mere sum of values, or products of labour, but from 'exchange-value *as it is already developed in the movement of circulation*'. Marx's analysis therefore begins here.

However, which of the two forms of circulation which we already know (C-M-C and M-C-M) is involved here? In which can value become capital?

Clearly not in the circuit C-M-C (simple circulation) since here the exchange of value (*Wertwechsel*) of the commodity and money merely has the role of a 'fleeting mediation': 'One commodity is ultimately exchanged for another commodity . . . and the circulation itself only served, on the one hand to allow use-values to change hands according to need, and on the other to allow them to change hands to the extent to which labour-time is contained in them . . . and to the extent to which they are factors of equal weight in general social labour-time.'[9] As such, simple commodity circulation, the form C-M-C, does not therefore carry 'the principle of self-renewal within itself', it cannot 'ignite itself anew from its own resources'; the repetition of the process 'does not follow from the conditions of circulation itself . . . Commodities constantly have to be thrown into it anew from the outside, like fuel into a fire. Otherwise it flickers out in indifference.'[10]

In other words, consumption, use-value, constitutes the ultimate

[8] *Grundrisse*, p.258. We read a little further on in the *Rough Draft*: 'It is damned difficult for Messrs. the economists to make the theoretical transition from the self-preservation of value in capital to its multiplication; and this in its fundamental character, not only as an accident or result . . . Admittedly, the economists try to introduce this into the relation of capital as an essential aspect, but if this is not done in the brutal form of defining capital as that which brings profit, where the increase of capital itself is already posited as a special *economic* form, profit, then it happens only surreptitiously and very feebly . . . Drivel to the effect that nobody would employ his capital without drawing a gain from it amounts either to the absurdity that the good capitalists will remain capitalists even *without* employing their capital; or to a very banal form of saying that gainful investment is inherent in the concept of capital. Very well. In that case it would have to be demonstrated.' (*ibid.* pp.270-71.)

[9] *Grundrisse*, German edn. p.925: 'Regarded in itself, circulation is the mediation of presupposed extremes. But it does not posit these extremes. Therefore, as the entirety of mediation, as a total process itself, it must be mediated. Its immediate existence is therefore pure semblance. It is the phenomenon of a process going on behind its back.' (*ibid.* p.920.)

[10] *Grundrisse*, p.255 and, in German edn. p.920.

aim and the real content of simple commodity circulation. Marx concludes: 'Therefore it is not in this aspect of the content (of the material) that we must look for the attributes which lead further.' We should rather stay with the formal aspect, where 'exchange-value as such becomes further developed and receives more profound qualities through the process of circulation itself. With the aspect, that is to say, of the development of money', as it appears as the result of the circulation process.[11] Thus we come to the category of 'Money as Capital', 'which goes beyond its simple quality as money'[12] and in so doing, establishes a transition from value and money to capital.

Naturally this can only apply to money in its 'third quality or function',[13] since it is only in this form that money is 'no longer a merely mediating form of commodity exchange . . . It is a product of circulation which has, as it were, grown out of it contrary to agreement', and in which value 'becomes independent' of circulation. And simultaneously it is a form in which the only sensible movement appears to be the enlargement of value, its continual multiplication.[14]

In fact, as long as we remain in the sphere of simple commodity circulation, the independence of money must in the last analysis prove to be chimerical, since even money in its third quality is only 'suspended medium of circulation', which owes its formation to a deliberate or an involuntary interruption of the circulation process. If it 're-enters circulation this is the end of its immortality, the value contained in it is dissipated in the use-values of the commodities for which it is exchanged, and it becomes a mere medium of circulation once more.' On the other hand, if money remains withdrawn from circulation 'it is as valueless as if it lay buried in the depths of a mine'; it 'collapses into its material, which is left over as the inorganic ash of the process as a whole'.[15] And even if the money which has been withdrawn from circulation is hoarded, no real increase or creation of value takes place in the movement C-M-C. 'Value does not emerge from value; rather, value is thrown into circulation in the

[11] *Grundrisse*, German edn. p.925.

[12] '*Money as capital* is an aspect of money which goes beyond its simple character as money. It can be regarded as a higher realisation; as it can be said that man is a developed ape. However, in this way the lower form is posited as the primary subject, over the higher', which would be incorrect. 'In any case, *money as capital* is distinct from *money as money*. The new aspect is to be developed.' (*Grundrisse*, p.251.) Cf. *Capital* I, Chapter 4, where the discussion centres on 'Money as Capital'.

[13] Cf Chapter 8 above.

[14] *Grundrisse*, German edn. pp.928, 935.

[15] *ibid.* pp.929, 925, (p.263 in the English edn.).

form of the commodity, in order to be withdrawn from it in the unusable form of the hoard. . . . The same magnitude of value which previously existed in the form of the commodity, now exists in the form of money; it becomes stored up in the latter form, since it is dispensed with in the other . . . thus enrichment appears in its content as voluntary impoverishment.'[16] Consequently, in simple circulation the increase of money 'can only appear in the form of hoarding, mediated by C-M, the constantly renewed sale of the commodity, since money is not permitted to run its full course', by which it transforms itself into the commodity again.[17] Hence in the form C-M-C neither the entry nor the non-entry of money into circulation can protect it from the eventual loss of its independence and immortality.[18]

Where then is the real solution to the problem to be found? What are the conditions under which money can go beyond the stage of primitive hoarding, for it – without being absorbed as a mere medium of circulation or petrifying into a hoard – to preserve and augment itself as independent value? (For 'as the universal form of wealth . . . money is only capable of a quantitative movement: that of increasing itself . . . it only preserves itself as distinct from use-value, as value in its own right, by constant self-multiplication.'[19]) It is clear that these conditions first obtain in the circuit M-C-M (buying in order to sell). Because in order for money to 'preserve itself as money, it must return to circulation just as often as it leaves it, but not as a mere medium of circulation . . . [It must] still remain money in its existence as commodity, and exist only as a temporary form of the commodity in its existence as money . . . Its entry into circulation must be itself as a moment of its remaining at home with itself, and its remaining at home with itself[20] an entry into circulation.' (In other words: it is only in the form of money as capital that the limitless drive for the enlargement of exchange-value can turn from a mere 'chimera' into a living, actual reality.[21]) On the other hand,

[16] *Grundrisse*, German edn. pp.929, 935.

[17] *ibid.* p.930.

[18] Cf. *Capital* I, p.268 (166): 'Capital cannot therefore arise from circulation and it is equally impossible for it to arise apart from circulation. It must have its origin both in circulation and not in circulation.'

[19] *Grundrisse*, German edn. p.936.

[20] *Beisichbleiben* – once more reminiscent of Hegelian terminology.

[21] 'However, as representative of the general form of wealth – money – capital is the endless and limitless drive to go beyond its limiting barrier. Every boundary (*Grenze*) is and has to be a barrier (*Schranke*) for it. Else it would cease to be capital – money as self-reproductive. If ever it perceived a certain boundary not as a barrier, but became comfortable within it as a boundary, it would itself have declined from exchange-value to use-value, from the general form of wealth to a specific, substantial mode of the same . . . The quantitative boundary of the surplus-value appears to it as a mere natural barrier, as a necessity which it constantly tries to violate and beyond which it constantly seeks to go.' (*Grundrisse*, pp.334-35.) The conceptual distinction between 'boundary' and 'barrier' is taken from Hegel. (See *Science of Logic*, Vol.I, pp.129-51.)

circulation itself has to appear 'as a moment in the production of exchange-values', as a link in the process by which they are preserved and augmented. To this end exchange-value has to be 'in fact exchanged for use-value and the commodity consumed as use-value, but it must preserve itself as exchange-value in this consumption'.[22]

Hence the consumption of this commodity must be productive consumption, directed not at immediate use, but rather at the reproduction and new production of values.[23] Only under these conditions i.e. if the circuit C-M-C turns into the circuit M-C-M, can money become self-preserving and self-augmenting value, become capital.

However we must define more precisely the use-value, whose consumption should show itself as the production both of value and of surplus-value at one and the same time. As already noted, capital is, by its nature, a 'surplus-value breeding' value.[24] 'The only use-value i.e. usefulness, which can stand opposite capital as such is that which increases, multiplies, and hence preserves it as capital . . . not an article of consumption, in which it loses itself, but rather in which it preserves and increases itself.' Only such a use-value can be confronted by capital as 'independent value' and capital can only be realised in such a value.

From this aspect, the commodity, as such, cannot be the opposite of capital, since money which has become capital 'is indifferent to the particularities of all commodities, and can take on any form of the commodity which is desired. It is not this or that commodity, but it can be metamorphosed into any commodity . . . Instead of excluding it, the entire range of commodities, all commodities, appear as an equal number of incarnations of money', since they – just like

[22] *Grundrisse*, German edn. pp.931-32. This is not possible in simple commodity circulation: 'The use-value existing in the commodity disappears (for its owner) as soon as its price is realised in money; the exchange-value which is fixed in money disappears (for the owner of money) as soon as it is realised in the commodity as use-value . . . By the simple act of exchange each can only become lost in its characteristic against the other, when it is realised in it. None can remain in the one characteristic, in that it passes over into the other.' (*ibid.* pp.919-20.)

[23] *ibid.* pp.932-33.

[24] 'Active value is simply value which posits surplus-value.' (*Grundrisse*, German edn. p.936.)

money – only count in exchange as objectified labour. In this respect there is no difference in principle between commodities and the money which has been transformed into capital.[25] 'The only antithesis to *objectified* labour is *unobjectified* . . . labour as subjectivity. (Or objectified labour, i.e. labour which is present in space, can also be opposed, as past labour, to labour which is present in time.)' However, as such it can 'be present only as the *living subject*, in which it exists as capacity, as possibility; hence as *worker*'.[26] Thus the only use-value which '*can constitute an opposition and a complement to money as capital, is labour*' as a use-value '*from which exchange-value itself develops, is produced and increased*'. And the 'only exchange by which money can become capital is when its owner enters into exchange with the owner of the living capacity to work[27] i.e. the worker'.[28] In this sense living labour can be characterised as the use-value of capital – as the 'real *not-capital*' which confronts capital as such.[29]

It can be seen that this is the same solution to the problem which we have already encountered in Volume I of *Capital*;[30] except there the solution is present in its finished form, with the intermediary stages left out, whereas here, we can observe it, as it were, *in statu nascendi*. In both instances, however, the transformation of money into capital – as Marx himself notes in one passage – 'is developed from the relation of independent exchange-value to use-value'.[31] It would therefore be pointless to counterpose the later, 'more realistic' seeming version of the solution in *Capital* to the more 'metaphysical' one in the *Rough Draft*. Both are the product of Marx's dialectical

[25] *ibid.* p.941.

[26] *Grundrisse*, p.272 and cf. p.942 of the German edition.

[27] In the *Rough Draft* Marx uses throughout the expression 'capacity to work' (*Arbeitsvermögen*) in the place of the later expression 'labour-power' (*Arbeitskraft*).

[28] *Grundrisse*, German edn. pp.942, 943, 944.

[29] *Grundrisse*, p.274. 'Labour posited as *not-capital* as such is: (1) *not-objectified labour, conceived negatively* . . . it is not-raw-material, not-instrument of labour, not-raw-product: labour separated from all means and objects of labour, from its entire objectivity.' . . . (2) but in this quality labour is 'the living source of value' (for the capitalists), and thereby is 'the general possibility of wealth', 'which proves itself as such in action'. Both statements 'are reciprocally determined and follow from the essence of labour, such as it is *presupposed* by capital as its contradiction and as its contradictory being, and such as it, in turn, presupposes capital'. (*ibid.* pp.295-96.) In this context we have to confine ourselves to an – admittedly very meagre – summary of this important, but difficult, aspect of the *Rough Draft*.

[30] See *Capital* I, pp.270ff (167ff).

[31] *Grundrisse*, German edn. p.952.

method, and should therefore be accepted or rejected by the same token. The difference lies only in the method of presentation.

It would definitely be quite wrong to regard this solution as merely a dialectical elaboration of concepts! It is based just as much on an exhaustive analysis of the concrete historical conditions which led to the formation of the capitalist mode of production. In both *Capital* and the *Rough Draft*, the first presupposition of the capital relation is the fact that the owner of money, the capitalist, 'can exchange his money for another's ability to work, as a commodity'; hence that 'firstly the worker disposes as a free proprietor of his ability to work (i.e. he relates to it as a commodity)' and secondly, 'that he can no longer exchange his labour in the form of another commodity, as objectified labour, but rather the only commodity which he has to offer, to sell, is his living capacity to work, present in his living bodily existence' . . . However, the fact that the capitalist 'finds the ability to work as a commodity on the market, within the boundaries of circulation – the presupposition from which we set out and which forms the starting point of the production process of bourgeois society – is clearly the result of a long historical development, the *resumé* of numerous economic changes, and presupposes the decline of other modes of production . . . and a particular development of the productive powers of social labour.'[32]

Marx takes this opportunity to note: 'This point definitely shows how the dialectical form of presentation is only correct when it knows its own limits.' But these limits are determined by the actual course of historical development. 'The general concept of capital can be derived from the study of simple circulation, because within the bourgeois mode of production simple circulation itself exists only as a presupposition of capital and presupposing it. The emergence of its general concept does not make capital into the incarnation of an eternal idea; it shows rather the way in which in reality and only as a *necessary* form, it must first issue into exchange-value-positing labour, onto production based on exchange-value.'[33] Thus, what at first sight might appear to be a mere 'dialectic of concepts' is in reality only the reflection of the fact that simple commodity circulation, which only becomes the general form which penetrates the entire economic organism under the rule of capital, represents no more than an 'abstract sphere' within this mode of production, 'which establishes itself as a moment, a mere form of appearance of a deeper

[32] *ibid.* p.945. Cf. *Capital* I, p.273 (169).

[33] *Grundrisse*, German edn. pp.945-46.

process – that of *industrial capital* which lies behind it, and which both produces it and results from it'.[34]

Marx stresses 'that it is vitally important to keep this point in mind', that the exchange relation between the capitalist and the wage-labourer is, at first, 'simply a relation of money and commodity, a relation of simple circulation'. For what takes place within circulation 'is not the exchange between *money* and *labour*, but the exchange between *money* and the *living capacity to work*'.[35] However what drives this exchange beyond the limits of simple circulation in the course of further development is the specific use-value of what has been exchanged, the use-value of the capacity to work.

As we already know, in simple circulation the content of use-value is economically irrelevant 'and is no concern of the form of the relation'. In the exchange between capital and labour, however, 'the use-value of that which is exchanged for money appears as a particular economic relation', as an 'essential economic moment' of the exchange.[36] Consequently in reality, 'there take place *two* processes, which are different and opposed to each other not only formally but also qualitatively', namely 1. the exchange of the capacity to work for wages (an act which belongs to simple circulation) and 2. the use of the capacity to work by the capitalists. 'Since the capacity to work exists in the *life* of the subject himself and is only manifested as his life expression . . . the appropriation of the title to its use during the act of its use naturally puts buyer and seller in a different relation from that which prevails in the case of objectified labour, which is present as an object external to the producer.'[37] For this reason, 'the difference between the second act and the first – note that the particular process of the appropriation of labour by capital is the second act – is exactly the difference between the exchange of capital and labour, and exchange between commodities as it is mediated by money. *In the exchange between capital and labour, the first act is an exchange, falls entirely within circulation; the second is a process qualitatively different from exchange,* and only by misuse could it have been called any sort of exchange at all. It stands directly

[34] *ibid.* pp.922-23.
[35] *ibid.* p.946.
[36] *Grundrisse*, p.274.
[37] 'This', adds Marx, 'does not impinge upon the exchange relation . . . As use-value, the capacity to work is only realised in the activity of labour itself, but in the same way [as the use-value of a bottle of wine] is only realised in drinking the wine. Labour itself falls as little into the process of simple circulation as drinking.' (*Grundrisse*, German edn. p.946.)

opposite the exchange' of commodities; it is an 'essentially different category'.[38]

In the course of the transformation from C-M-C to M-C-M money has become capital. 'The immortality which money strove for, in positing itself negatively against circulation, in withdrawing from it, is attained by capital, in that it is preserved precisely by being abandoned to circulation. Capital, as the exchange-value which presupposes circulation, is in turn presupposed by it, and preserves itself in it, alternately takes on both the aspects which are contained in simple circulation', namely C and M, 'and indeed, not in the manner characteristic of simple circulation, where one form passes over into the other, but rather in this way: in each of its aspects it is simultaneously the relation to its contrary aspect'.[39] 'Just as simple circulation itself, money and commodity as such exist for capital as only particular abstract moments of its existence, in which it just as often appears, passes over from one moment into the other, as it disappears.' Thus, 'in capital money has lost its fixedness and from a tangible thing it has become a process'.[40] Hand in hand with this a profound change occurs in the mode of production as a whole: whereas previously, at the stage of simple commodity circulation, value-creating production was only of significance to the extent that the commodities which entered circulation were embodiments of social labour-time, and therefore, as such, had to be values, 'now circulation itself returns back into the activity which posits or produces exchange-value . . . as into its ground' (and at the same time 'as its result').[41] And whereas previously all that was required for

[38] *Grundrisse*, p.275.
[39] *Grundrisse*, German edn. p.938: 'Capital posits the permanence of value . . . by incarnating itself in fleeting commodities and taking on their form, but at the same time changing them just as constantly; alternates between its eternal form in money and its passing form in commodities; permanence is posited as the only thing it can be, a passing passage – process – life. But capital obtains this ability only by constantly sucking in living labour as its soul, vampire-like.' (*Grundrisse*, p.646.) Cf. *Capital* I, p.342 (234): 'Capital is dead labour which, vampire-like, lives only by sucking living labour, and lives the more, the more labour it sucks.'
[40] *Grundrisse*, German edn. p.937.
[41] *Grundrisse*, p.255. At first sight this seems to be a question of a purely Hegelian construction, since the 'return to the foundation', is one of the most fundamental features of the Hegelian dialectic. (See note 107 on p.38 above.)

However, one can see from the following passage from the *Rough Draft* how realistically Marx conceived of this 'return': 'Thus circulation [i.e. simple commodity circulation] presupposed a production which was only acquainted with exchange-value in the form of surplus, excess; but it returned

circulation was a form of production which only 'created exchange-value as a surplus', the production of value now becomes the decisive social form which rules the entire system of production. A historical process, which is theoretically expressed in the category 'money as capital'.

to a production which took place only with a relation to circulation, to a production which posited exchange-value as its immediate object (*Objekt*). This is an example of the historical return of simple circulation to capital, to exchange-value as the form governing production.' (*Grundrisse*, German edn. p.922.)

12.

Exchange between Capital and Labour-Power

In the previous chapter we pointed to two different processes in the exchange between capital and labour. For the worker this exchange simply represents the sale of his labour-power for a particular sum of money, for wages; what the capitalist gains by means of this exchange is labour itself, 'the productive power which capital obtains and multiplies' which does not arise from the value of the commodity which capital purchases, but from its use-value. The worker's exchange is an act of simple commodity circulation in which his commodity (labour-power) passes through the circulation form C-M-C; whereas capital represents the moment opposed to this, the form M-C-M. Finally, for the worker the matter is one of an exchange of equivalents (labour-power for the price of labour), whilst on the other hand one can only speak of an apparent exchange (or a 'non-exchange') on the side of capital since, through that exchange, the capitalist 'has to obtain more value than he has given'.

We want to start by looking at the first of these processes, the exchange between capital and labour-power.

As in any exchange, the worker appears here as the owner of his commodity, labour-power, which does not however exist as a thing external to him, but as part of his living body. It is therefore evident that he can only hand over the disposition over his capacity to work to the owner of money, to the capitalist, if this disposition 'is restricted to a *specific* labour and is *restricted in time* (so much labour-time)'.[1]

It follows from this that the worker 'can always begin the exchange anew as soon as he has taken in the quantity of substances required in order to reproduce the externalisation of his life'; and that labour constitutes 'a constant new source of exchange with

[1] *Grundrisse*, p.282. We read in *Capital*, that if the worker were to sell his labour-power, 'in a lump, once and for all, he would be selling himself, converting himself from a free man into a slave, from an owner of a commodity into a commodity'. (*Capital* I, p.271 (168).)

capital for the worker as long as he is capable of working'. The periodic recurrence of the act of exchange is merely the expression of the fact that the worker 'is not a *perpetuum mobile*', and must first sleep and eat his fill 'before he is capable of repeating his labour and his exchange with capital'.[2] Besides this, the repetition is only apparent. 'What he exchanges with capital is his entire labouring capacity, which he spends, say, in 20 years. Instead of paying for it in a lump sum, capital pays him in small doses', which naturally changes nothing in the basic nature of the relation.[3]

However, the fact that the worker is the owner of his labour-power and only grants temporary disposal over it to capital in exchange is of decisive importance, since it counts as one of those features of the relation of wage-labour which raise it historically above earlier modes of exploitation. For example, in the slave-relation the actual direct producer 'belongs to the *individual particular* owner and is his labouring machine. As a totality of *force-expenditure* as labour capacity, he is a thing belonging to another, and does not relate as subject to his particular expenditure of force, nor to the act of living labour.' In the serf-relation 'he [the direct producer] appears as a moment of property in land itself, is an appendage of the soil, exactly like draught-cattle'. By contrast the wage-labourer 'belongs to himself and has disposition over the expenditure of his forces through exchange'. What he sells 'is always nothing more than a specific, particular measure of force-expenditure; labour capacity as a totality is greater than every particular expenditure'.[4] (Which means, in fact, that the worker is recognised as a person, as a human being, 'who is something for himself apart from his labour and who alienates his life-expression only as a means towards his own life'.[5]) In addition, the wage-labourer sells his expenditure of force 'to a particular capitalist, whom he confronts as an independent individual. It is clear that this is not his relation to the existence of capital as capital, i.e. to the capitalist class.[6] Nevertheless in this way, as far as

[2] Marx says further: 'Instead of aiming their amazement in this direction – and considering the worker to owe a debt to capital for the fact that he is alive at all, and can repeat certain life processes every day . . . these white-washing sycophants of bourgeois economics should rather have fixed their attention on the fact that, after constantly repeated labour, he always has *only* his living direct labour itself to exchange.' (*Grundrisse*, pp.293-94.)

[3] *ibid.* p.294.

[4] *ibid.* pp.464-65.

[5] *ibid.* p.289.

[6] Cf. *Capital* I, p.719 (573): 'From the standpoint of society, then, the working class . . . is just as much an appendage of capital as the lifeless instruments of labour are . . . The Roman slave was held by chains; the wage-labourer is bound to his owner by invisible threads. The appearance of independence is maintained by a constant change in the person of the individual employer, and by the legal fiction of a contract.'

the individual real person is concerned, there is a wide field of choice, of arbitrary will, and hence of formal freedom'[7] which the producers of other class societies lacked and without which the worker's struggle for liberation would be simply inconceivable.

Thus, the labour-power of the worker appears to him 'as his property, as one of his moments, over which he, as subject, exercises domination, and which he maintains by expending it'. In this situation he acts simply as a commodity owner, and it is clear 'that the use which the buyer makes of the purchased commodity is as irrelevant to the *specific form* of the relation here as it is with any other commodity . . . Even if the capitalist were to content himself merely with the capacity of disposing, without actually making the worker work, e.g. in order to have his labour as a reserve, or to deprive his competitor of this capacity of disposing[8] . . . [nevertheless] the exchange would still have taken place in full.'

Admittedly the piecework system 'introduces the semblance that the worker obtains a specified share of the product. But this is only another form of measuring time[9] (instead of saying, you *will* work for 12 hours, it is said, you get so much per piece; i.e. we measure the time you have worked by the number of products)', and this form in no way alters the fact that the worker simply receives an equivalent to his labour-power from the capitalist, in accordance with the law of commodity exchange.[10]

With regard to the amount of this equivalent, to the value of labour-power, is clear that it cannot be determined 'by the manner in which its buyer *uses* it, but only by the amount of objectified labour contained in it'.[11] ('The use-value of a thing does not concern its seller as such, but only its buyer. The property of saltpetre, that it can be used to make gunpowder, does not determine the price of saltpetre; this price is determined rather by the cost of production of saltpetre . . .'[12] Similarly labour-power 'has a use-value for the worker himself only insofar as it is *exchange-value*, not insofar as it

[7] *Grundrisse*, p.464.

[8] Marx uses the example of theatre directors, who 'buy singers for a season not in order to have them sing, but so that they do not sing in a competitor's theatre'.

[9] Cf. Note 12 on p.60 above.

[10] *Grundrisse*, p.282.

[11] *ibid.* pp.282, 466.

[12] *ibid.* p.306.

produces exchange-values'.[13] However, this exchange-value is determined by the cost of production of labour-power, i.e. of the worker himself. The commodity which he offers 'exists only as an ability, a capacity of his bodily existence' : accordingly the value of his labour-power is measured by the quantity of labour which is necessary to maintain the life of the worker and reproduce him as a worker. This, 'in general terms . . . is the measure of the amount of value, the sum of money which he obtains in exchange'.[14]

Like every exchange of commodities, the exchange between labour-power and capital is mediated by money. 'Because the worker receives the equivalent in the form of money, the form of general wealth, he is in this exchange an equal vis-à-vis the capitalist, like every other party in exchange.' Of course, this equality is 'only a semblance and a deceptive semblance', and it is rendered null and void in reality by the fact that capital appropriates a part of the worker's labour-time '*without exchange* by means of the *form* of exchange', hence that the worker stands 'in another economically determinate relation' to the capitalist 'than that of exchange' . . . 'This semblance exists, nevertheless, as an illusion on his part and to a certain degree on the other side, and thus essentially modifies his relation by comparison to that of workers in other social modes of production.'[15]

But not only that! Since the worker exchanges his labour-power for money, 'for the general form of wealth, he becomes a co-participant in general wealth up to the limit of his equivalent – a quantitative limit which, of course, turns into a qualitative one, as in every exchange'. Although it is true that this limit is as a rule very narrowly defined, on the other hand the worker is 'neither bound to a particular manner of satisfaction [of his needs] . . . nor to particular objects.[16] The extent of his consumption is not qualitatively, but rather quantitatively restricted[17].' This also serves to 'distinguish him from slaves, serfs etc'.[18]

[13] *ibid.* p.307.
[14] *ibid.* pp.282-83.
[15] *ibid.* pp.284, 465, 674.
[16] And Marx adds that it is precisely by these means that it becomes possible for the worker to participate 'in the higher, even cultural satisfactions, agitation for his own interests, newspaper subscriptions, attending lectures, educating his children, developing his tastes etc . . . his only share of civilisation which distinguishes him from the slave'. (*ibid.* p.287.)
[17] In the original: '*ausgeschlossen*'.
[18] *ibid.* p.283. Marx adds that the fact that the circle of satisfactions is only quantitatively limited gives the modern workers, 'also as consumers an entirely different importance . . . from that which they possessed e.g. in antiquity or in the Middle Ages, or now possess in Asia'. (*ibid.*)

The exchange between labour-power and capital also falls into the realm of simple commodity circulation because for the worker it is the satisfaction of his immediate needs, rather than value as such, which constitutes the aim of exchange. 'He does obtain money, it is the satisfaction of his immediate needs, rather than value as transient mediation. What he obtains from the exchange is therefore not exchange-value, not wealth, but a means of subsistence, objects for the preservation of his life, the satisfaction of his needs in general, physical, social etc.'[19] However, we have seen in our study of the circuit C-M-C that money can be withdrawn from circulation and become a hoard. In this sense the worker might then be theoretically in the position to save a part of the money which has come into his possession, keep it in the general form of wealth, and consequently 'enrich' himself. However, this is only possible 'through his sacrificing substantial satisfaction to obtain the *form* of wealth – i.e. through *self-denial*, saving, cutting corners in his *consumption* so as to withdraw less from circulation than he puts goods into it'. Or also by 'denying himself more and more rest' and 'more frequently renewing the act of exchanging' his labour-power, 'or extending it quantitatively, hence through *industriousness*'.

Marx sarcastically comments, that it is in fact the workers who, in the present society, are treated to sermons on 'industriousness'; the demand is raised 'that he for whom the object of exchange is subsistence should deny himself, not he for whom it is wealth . . .'[20] 'Still, no economist will deny that if the workers generally, that is, as workers (what the individual worker does or can do, as distinct from his genus, can only exist just as exception, not as rule, because it is not inherent in the character of the relation itself), that is if they acted according to this demand *as a rule*' they would – apart from the enormous losses to general consumption – 'be employing means which absolutely contradict their purpose . . . If all or the majority are too industrious (to the degree that industriousness in modern industry is in fact left to their own personal choice, which is

[19] *ibid.* p.284. (As the reader can see, it never occurred to Marx to limit the value of labour-power to the physical 'minimum of existence'!)
[20] *ibid.* p.284. (In the following sentence Marx says: 'The illusion that the capitalists in fact practised "self-denial" – and became capitalists thereby – a demand and a notion which only made sense at all in the early period when capital was emerging from feudal etc. relations – has been abandoned by all modern economists of sound judgement.' The author of *Capital* was certainly too optimistic in this respect.)

not the case in the most important and most developed branches of production), then they increase not the value of their commodity, but only its quantity . . . [and] a general reduction of wages will bring them back to earth again.'[21] Consequently, the best that the workers can achieve through saving is a more expedient distribution of their expenditure, so that 'in their old age, or in the case of illness, crises etc. they do not become a burden on the poor-houses, the state, or on the proceeds of begging . . . and on the capitalists, vegetating out of the latter's pockets'. And this is also 'what the capitalists actually demand. The workers should save enough at the times when business is good to be able more or less to live in the bad times, to endure short-time or the lowering of wages etc.' They should make it easier for capital to overcome crises, and on the other hand ensure that 'the capitalists can extract high interest rates out of their savings, or the state eat them up . . . that is, save in every way for *capital* and not for himself' ![22]

The fact that the average worker cannot enrich himself by saving, cannot lift himself out of his class position, is simply the result of the fact that 'he finds himself in a relation of simple circulation' in his exchange with capital, and thus as equivalent for his labour-power 'obtains not wealth, but only subsistence, use-values for immediate consumption . . . If the point of departure in circulation is the commodity, use-value as the principle of exchange, then we

[21] *ibid.* pp.285-86.

[22] *ibid.* p.287. Incidentally, adds Marx, 'each capitalist does demand that his workers save, but only *his own*, because they stand toward him as workers; but by no means the remaining *world of workers*, for these stand toward him as consumers. In spite of all "pious" speeches he therefore searches for means to spur them on to consumption, to give his wares new charms, to inspire them with new needs by constant chatter etc. It is precisely this side of the relation of capital and labour which is an essential civilising moment, and on which the historic justification, but also the contemporary power of capital rests.' (*ibid.* p.287.)

Cf. Marx's essay *Wages* (1847): 'The purpose – at least in the strict economic sense, of savings banks is supposed to be that the workers, by their own foresight and intelligence, balance out the good periods of work with the bad; i.e. distribute their wages in the cycle which the movement of industry makes, so that they actually do not spend more than the minimum of wages indispensable to life. But we have seen that not only do the fluctuations in wages revolutionise the workers, but that without their momentary increase above the minimum they would remain excluded from all progress in production, public wealth, civilisation, i.e. the possibility of emancipation. He is supposed to turn himself into a bourgeois calculating machine, to systematise niggardliness, and give meanness a stationary, conservative character.' (*Collected Works*, Vol. 6, p.426.)

necessarily arrive back at the commodity', which 'after having described its circle is consumed as the direct object of need'. In this process money simply has the role of the means of exchange, 'vanishing mediation'.[23] However, if the money saved by the worker 'does not remain merely the product of circulation', then sooner or later 'it would itself have to become capital i.e. buy labour'. The consequence of this would be 'the establishment at another point of the contradiction it is supposed to overcome'. Therefore if the product of exchange from the workers' side were not 'use-value, subsistence, satisfaction of direct needs . . . then labour would confront capital not as labour, not as not-capital, but as capital. But capital, too, cannot confront capital if capital does not confront labour, since capital is only capital as not-labour; in this contradictory relation. Thus the concept and the relation of capital itself would be destroyed.'[24]

In simple commodity exchange the seller has no rights whatsoever to the fruits of the commodity which he has put up for sale; this applies also to the wage-labourer, who, for the price of his ability to work, '*surrenders his creative power*, like Esau his birthright for a mess of pottage'. His exchange with capital is, for him, the same as '*the renunciation of all fruits of labour*'[25] (as Cherbuliez, the follower of Sismondi, expressed it). What 'appears paradoxical *as result* is already contained in this presupposition'. Since in the capitalist mode of production the worker only disposes of his ability to work, which coincides with his own personal existence, whereas on the other hand all the means for the objectification of his labour belong to capital, the benefits of his productive power can accrue only to capital, and not to him. 'The worker therefore sells labour as a simple, predetermined exchange-value, determined by a previous process – he sells labour itself as *objectified labour* . . . capital buys it as living labour, as the general productive force of wealth; activity which increases wealth. It is clear therefore that the worker *cannot become rich* in this exchange. Rather he necessarily *impoverishes himself* . . . because the creative power of his labour establishes itself as the power of capital, as an *alien power* confronting him. He divests himself of labour as the force productive of wealth; capital appropriates it as such.'[26] 'The separation between labour and property in the product

[23] *Grundrisse*, pp.289, 295.

[24] *ibid.* p.288.

[25] *ibid.* p.308.

[26] Marx notes elsewhere that even the bourgeois economists admit this, in that they do not regard the wage, the '*Salär*', as productive. 'For them of course, to be productive means to be productive of wealth. Now, since wages are the product of the exchange between worker and capital – and the only

of labour, between labour and wealth, is thus posited in this act of exchange itself.'[27]

The last point Marx goes into in his representation of the exchange between labour-power and capital is that of the abstract character of the labour which confronts capital. 'Since capital *as such* is indifferent to every particularity of its substance . . .' the labour which confronts it is also 'absolutely indifferent to its *particular specificity*, but capable of all specificities . . . That is to say that labour is of course in each single instance a specific labour, but capital can come into relation with every specific labour; potentially it confronts the *totality* of all labours, and the particular one it confronts at a given time is an accidental matter.' Correspondingly the worker, too, 'is absolutely indifferent to the specificity of his labour; it has no interest for him as such, but only in as much as it is in fact *labour*; and as such a use-value for capital. It is therefore his economic character that he is the carrier of labour as such – i.e. of labour as *use-value* for capital; he is a *worker*, in opposition to the capitalist.' It is precisely this which distinguishes him from 'craftsmen and guild-members etc. whose economic character lies precisely in the *specificity* of their labour and in their relation to a *specific master*'.[28] The wage relation 'therefore develops more purely and adequately in proportion as labour loses all the characteristics of art; as its particular skill becomes something more and more abstract and irrelevant and as it becomes more and more a *purely abstract activity*, a purely mechanical activity, hence indifferent to its particular form . . . Here it can be seen once again', Marx concludes, 'that the

product posited in this act itself – they therefore admit that the worker produces *no wealth* in this exchange, neither for the capitalist, because for the latter the payment of money for a use-value – and this payment forms the only function of capital in this relation – is a sacrifice of wealth, not creation of the same, which is why he tries to pay the smallest amount possible; nor for the worker, because it brings him only subsistence, the satisfaction of individual needs, more or less – *never* the general form of wealth, never wealth. Nor can it do so, since the content of the commodity which he sells rises in no way above the general laws of circulation: [his aim] is to obtain for the value which he throws into circulation its equivalent, through the coin, in another use-value, which he consumes. Such an operation, of course, can never bring wealth, but has to bring back him who undertakes it exactly to the point at which he began.' (*ibid.* p.294.)

[27] *ibid.* p.307.

[28] 'In guild and craft labour, where capital itself still has a limited form, and is still entirely immersed in a particular substance, hence is not yet capital as such, labour, too, appears as still immersed in its particular specificity, not in the totality and abstraction of labour *as such* in which it confronts capital.' (*ibid.* p.296.)

particular specificity of the relation of production, of the category – here capital and labour – becomes real only with the development of a *particular material mode of production* and of a particular stage in the development of the *industrial productive forces*' i.e. of capitalism.[29]

So much then on the first aspect of the process which takes place between capital and labour; the exchange of labour-power which belongs in the realm of simple commodity circulation. '*The transformation of labour* (as living, purposive activity) into capital is, in itself, the result of the exchange between capital and labour, insofar as it gives the capitalist the title of ownership of the product of labour.' However, this transformation only becomes real 'through the *consumption of labour*, which initially falls outside this exchange and is independent of it', hence only in the capitalist production process.[30] Therefore this must now be described.

[29] *ibid.* pp.296-97.

[30] *ibid.* p.308.

13.
Labour Process and Valorisation Process

We can be quite brief here; firstly because the analysis of the labour process and the valorisation process appears in a more complete and illuminating form in *Capital* than in the *Rough Draft*; and secondly, because the *Rough Draft* contains fewer ideas on this subject which offer anything new in comparison to the later work, or which might serve to complement it (and this is what is decisive as far as this work is concerned). The distinction lies chiefly in the manner of presentation; this seems important enough, however, to justify a separate treatment of the relevant section of the *Rough Draft*.[1]

We have seen that living labour, in its immediate existence, separated from capital in the bodily shape of the worker, is only potentially a source of value : 'it is made into a real activity only through contact with capital' (it cannot do this by itself, Marx adds, because it lacks an object); 'then it becomes a really value-positing productive activity'. The first phase of the process is now concluded 'insofar as we are dealing with the process of exchange as such'; equivalents have been exchanged, and the capitalist is now in possession of the labour-power which must go on to prove itself as formative of capital, as the productive power of wealth, by means of its activity, labour. The further process must therefore comprise the consumption of labour, 'the relation of capital to labour as capital's use-value'.[2]

In the final product of the exchange between capitalist and worker, capital was able to incorporate living labour into itself; it became one moment of capital – alongside its material moments which exist in the form of means of production and simply embody objectified labour. In order to maintain and expand itself, capital as objectified labour now has to enter into a process with non-objectified labour : 'On the one side the objectivity in which it exists has to be worked on, i.e. consumed by labour; on the other side the mere subjectivity of labour . . . has to be suspended and labour has to be

[1] See *Grundrisse*, pp.297-318, 321-26.
[2] *ibid.* p.298.

objectified in the material of capital.' This can only occur in the production process by means of the subjection of the objectified element of capital, as passive material, to the forming activity of labour. For this reason : 'the relation of capital in its content, to labour – of objectified to living labour – can, in general, be nothing more than the relation of labour to its objectivity, its material.' However, as mere material of labour the substance of capital can only appear in two qualities; that of raw material 'i.e. of the formless matter, the mere material for the form-positing, purposive activity of labour', and that of the instrument of labour, 'the objective means which subjective activity inserts between itself as an object, as its conductor'.[3] By consuming the raw material and the instruments of labour, labour 'changes its own form' and 'undergoes a transformation, from the form of unrest into that of being, from the form of motion into that of objectivity'.[4] The outcome of the process is the product, in which the elements of capital consumed in production (raw material, instrument, labour) reappear as in a neutral result.[5] The entire process can therefore be designated as productive consumption, that is, consumption which 'is not simply consumption of the material', but rather 'consumes the given form of the object in order to posit it in a new objective form . . . It consumes the objective character of the object – the indifference towards the form – and the subjective character of the activity; forms the one, materialises the other. But as *product*, the result of the production process is *use-value*.'[6]

Note that the analysis up until now has been confined to the material aspect of the production process. However, this material aspect not only seems to conceal the specific movement of capital but also the quality of value. 'Cotton which becomes cotton yarn, or cotton yarn which becomes cloth, or cloth which becomes the material for printing and dyeing, exist for labour only as available cotton, yarn, cloth. As products of labour . . . they themselves do not enter any process but rather [operate] as material existences with certain natural properties. *How* these were posited in them makes no difference to the relation of living labour towards them; they exist for it only insofar as they exist as distinct from it, i.e. as material for

[3] *ibid.* p.298-99.
[4] *Capital* I, p.296 (189).
[5] In the sense that the distinction between the subjective and objective factors of the production process disappears in the product.
[6] *Grundrisse*, p.301.

labour.'[7] This means, therefore: 'To the extent that we have examined the process so far, capital in its being-for-itself – i.e. the capitalist[8] – does not enter at all. It is not the capitalist who is consumed by labour as raw material and instrument of labour. And it is not the capitalist who does this consuming, but rather labour.' The production process 'does not appear as the production process of capital, but as the production process in general' (as it is equally 'characteristic of all forms of production') 'and capital's distinction from labour appears only in the material character of raw material and instrument of labour' in which 'all relation . . . to labour itself as the use-value of capital . . . is extinguished'. (Marx adds: 'It is this aspect . . . on which the economists seize in order to represent capital as a necessary element of every production process. Of course, they do this only by forgetting to pay attention to its conduct as capital during this process.')[9]

We read further on in the text: 'Nothing can emerge at the end of the process which did not appear as a presupposition and precondition at the beginning. But on the other hand, everything also has to come out.' Thus, if the analysis up until now has not led any further than to the concept of the simple production process 'posited in no particular *economic* form', then this must be due to the fact that it was confined to the material aspect of the process, without this being conceived of as the process of the preservation and multiplication of values, i.e. according to its particular form. Seen as such, this process is the process of the self-preservation of capital.[10]

'Capital as form [i.e. looked at as a social relation] consists not of objects of labour and labour, but rather of *values*, and still more precisely of *prices*.' The fact that the constituent parts of capital undergo material changes in the course of the labour process, that 'out of the form of unrest – of the process – they again condense themselves into a resting, objective form, in the product . . . does not affect their character as values . . . Earlier, they appeared as elemental, indifferent preconditions of the product. Now they are the product. The value of the product can therefore only = the sum of

[7] *ibid.* p.302. Cf. *Capital* I, p.289 (182): 'It is by their imperfections that the means of production in any process bring to our attention their character of being the products of past labour. A knife which fails to cut, a piece of thread which keeps on snapping, forcibly remind us of Mr. A, the cutler, or Mr. B, the spinner. In a successful product, the role played by past labour in mediating its useful properties has been extinguished.'

[8] See p.210 below.

[9] *Grundrisse*, p.303.

[10] *ibid.* p.304.

the values which were materialised in the specific material elements of the process . . . The value of the product is equal to the value of the raw material plus the value of the part of the instrument of labour which has been destroyed . . . plus the value of labour.'[11] (Or, the price of the product is equal to the cost of its production.[12])

Looked at in this way, the value of capital would not have changed at all and would have merely assumed another physical shape. The material transformation is of course an absolute necessity, since without it the self-preservation of capital would not be possible. However, the fact that the material process of production proceeds to an end-product 'is already contained in the first precondition, that capital really becomes use-value', is the presupposition of the capitalist mode of production. 'The statement that the necessary price [value] = the sum of the prices of the costs of production, is therefore purely analytical.' It simply states that the original value of the capital decomposes in the production process into particular quantitative elements (value of labour-power, value of raw material, value of the instruments of labour), in order to reappear in the product as the simple sum of values. 'But the sum is equal to the original unity . . . If capital was originally equal to 100 thalers, then afterwards, as before, it remains equal to 100 thalers, although the 100 thalers existed in the production price[13] as 50 thalers of cotton, 40 thalers of wages + 10 thalers of spinning machines, and now exist as cotton yarn to the price of 100 thalers. This reproduction of the 100 thalers is a simple retention of self-equivalence, except that it is mediated through the material production process.'[14] The only movement which takes place here with value is 'that it sometimes appears as a whole, unity; then as a division of this same unity into different amounts; finally appears as a sum.' (One could 'just as well have regarded the original 100 thalers as a sum of 50+40+10 thalers, but equally as a sum of 60+30+10 thalers etc.' The value of the whole would not have changed in the slightest.) 'The character of being a sum, of being added up, arose only out of the subdivision which took place in the act of production; but does not exist in the product as such. The statement thus says nothing more than that the price of the product = the price of the costs of production, or that the value of capital = the value of the product, that the value of

[11] Even in the *Rough Draft* the expression 'value of labour' is often used instead of the value of the capacity to work.

[12] *ibid.* p.313.

[13] What is understood by 'production price' here is the same thing which Marx later characterised as 'cost price', in Volume III of *Capital*.

[14] *Grundrisse*, pp.313-14.

the capital has preserved itself in the act of production . . . With this mere identity of capital, or reproduction of its value throughout the production process, we would have come no further than we were at the beginning.'[15]

Marx adds: 'It is clear that it is not in fact this to which the economists refer when they speak of the determination of price by the cost of production. Otherwise a value greater than that originally present could never be created (no greater exchange-value, although perhaps a greater use-value)' which would contradict the concept of capital itself.[16] Capital 'would not remain outside circulation, but would rather take on the form of different commodities; however it would do so for nothing; this would be a purposeless process, since it would ultimately represent only the same sum of money, and would have run the risk of suffering some damage in the act of production.' As a consequence the participation of the capitalist in the production process would be confined to advancing the worker his wages, 'paying him the price of the product in advance of its realisation'. He would have given him credit 'and free of charge at that, *pour le roi de Prusse*'.

However: 'The capitalist has to eat and drink too; he cannot live from this change in the form of money.' He has no option but to continually employ a part of the original capital for his own personal requirements, and eventually his capital will have disappeared.[17] On

[15] *ibid.* p.315. In fact, 'in addition to the simple division and re-addition, the production process also adds the formal element to value . . . that its elements now appear as *production costs*, i.e. precisely that the elements of the production process are not preserved in their material character, but rather as values . . .' (*ibid.* p.316.)

[16] *ibid.* p.315.

[17] 'But', say the apologetic economists, 'the capitalist is paid for the *labour* of throwing the 100 thalers into the production process as capital, instead of eating them up. But with what is he to be paid? And does not his labour appear as absolutely useless, since capital includes the wage; so that the workers could live from the simple reproduction of the cost of production, which the capitalist cannot do? He would thus appear among the *faux frais de production*. But, whatever his merits may be, reproduction would be possible without him, since, in the production process, the workers only transfer the value which they take out, hence have no need for the entire relation of capital in order to begin it always anew; and secondly, there would then be no fund out of which to pay him what he deserves, since the price of the commodity = the cost of production. But, if his labour were defined as a particular labour alongside and apart from that of the workers, e.g. as the labour of superintendence etc., then he would, like them, receive a certain wage, would thus fall into the same category as they, and would by no means relate

the other hand, 'it is equally clear . . . that capital, even as conventionally defined, would *not* retain its *value* if it could retain nothing but its value. The risks of production have to be compensated. Capital has to preserve itself through the fluctuations of prices. The constantly ongoing devaluation of capital, resulting from the increase in the force of production, has to be compensated etc. The economists therefore state flatly that if no gain, no profit were to be made, everybody would eat up his money instead of throwing it into production and employing it as capital. In short, if this not-realisation i.e. not-multiplication of the value of capital, is presupposed, then what is presupposed is that capital is not a real element of production, that it is not a *specific relation of production*; then a condition is presupposed in which the production costs do not have the form of capital and where capital is not posited as the condition of production.'[18]

Consequently, what political economists understand by 'production costs' is in fact something quite different. They calculate thus: 'Original capital = 100 (e.g. raw material = 50; labour = 40; instruments = 10)+5% interest+5% profit. Thus the production cost = 110, not 100: the production cost is thus greater than the cost of production.'[19] However, this creates a new difficulty: how can this 10% addition to the costs of production be explained? Using arguments which we already know from *Capital*,[20] Marx demonstrates that surplus-value – which is 'generally value beyond the equivalent' – can be derived neither from the higher use-value of the product,[21] nor from the commercial transaction ('profit upon aliena-

to labour as a capitalist; and he would never get rich, but receive merely an exchange-value which he would have to consume via circulation. The existence of capital *vis-à-vis* labour requires that capital in its being-for-itself, the capitalist, should exist and be able to live as *not-worker*.' (*ibid.* p.317.)

[18] *ibid.* pp.316-17.

[19] *ibid.* p.315. Cf. *Theories* III, pp.79ff.

[20] See *Capital* I, pp.261-67 (161-66).

[21] Marx notes at this juncture that, 'in order to construct a legitimation, an apology for capital', the economists explain it, 'with the aid of the very process which makes its existence impossible. In order to demonstrate it, they demonstrate it away. You pay me for my labour, you exchange it for its product and deduct from my pay the value of the raw material and instrument which you have furnished. That means we are *partners* who bring different elements into the process of production and exchange according to their values. Thus the product is transformed into money, and the money is divided in such a way that you, the capitalist, obtain the price of your raw material and your instrument, while I, the worker, obtain the price which my labour added to them. The benefit for you is that you now possess raw material and

tion'[22]), and that any attempted explanation along these lines will lead nowhere.

It states in the *Rough Draft*: 'It is easy to understand how labour can increase use-value; the difficulty is, how it can create exchange-values greater than those with which it began.'[23] Otherwise 'the statement that the price = the cost of production . . . would have to read; the price of a commodity is always greater than its cost of production.'[24]

What follows is the solution which we already know, in which surplus-value originates from the difference between the labour materialised in the wage and the living labour performed by the worker. That is to say: 'If one day's work were necessary in order to keep one worker alive for one day, then capital would not exist, because the working day would then exchange for its own product, so that capital could not valorise itself and hence could not maintain itself as capital . . . If capital [i.e. the capitalist] also had to work in order to live, then it would maintain itself not as capital but as labour. Property in raw materials and instruments of labour would be purely nominal; economically they would belong to the worker as much as to the capitalist, since they would create value for the capitalist only insofar as he himself were a worker. He would relate to them therefore not as capital, but as simple material and means of labour, like the worker himself does in the production process. If, however, only half a working day is necessary in order to keep one worker alive one whole day, then the surplus-value of the product is self-evident, because the capitalist has paid the price of only half a working day but has obtained a whole day objectified in the product; thus has exchanged nothing for the second half of the working day . . . No matter that for the worker the exchange between capital and labour . . . is a simple exchange; as far as the capitalist is concerned it must be a not-exchange. He [the capitalist] has to obtain more value than he gives. Looked at from the capitalists' side, the exchange must be only apparent; i.e. belong to an economic category other than exchange, or capital as capital and labour as labour in opposition to it would be impossible . . . The only thing which can

instrument in a form in which they are capable of being consumed (circulated); for me, that my labour has realised itself. Of course, you would soon be in the situation of having eaten up all your capital in the form of money, whereas I, as worker, would enter into the possession of both.' (*Grundrisse*, p.322.)

[22] *ibid.* p.315.

[23] *ibid.* pp.317-18.

[24] *ibid.* p.316.

make him into a capitalist is not exchanged, but rather a process through which he obtains objectified labour-time i.e. value, without exchange.'[25]

We should draw attention here to one moment, which as Marx repeatedly stressed 'is posited itself in the economic relation', i.e. in the capital-relation. This is: 'In the first act, in the exchange between capital and labour, labour as such, existing *for itself*,[26] necessarily appeared as the *worker*. Similarly here in the second process . . . capital in its being-for-itself is the *capitalist*. Of course, the socialists' (from whom Marx wants to distinguish himself as a scientific communist) 'sometimes say, we need capital, but not the capitalist. Then capital appears as a pure thing, not as a relation of production which, reflected in itself, is precisely the capitalist. I may well separate capital from a given individual capitalist, and it can be transferred to another. But in losing capital he loses the quality of being a capitalist. Thus capital is indeed separable from an individual capitalist, but not from *the* capitalist who as such confronts *the* worker. (Thus also the individual worker can cease to be the being-for-itself of labour; he may inherit or steal money etc. But then he ceases to be a worker. As a worker he is nothing more than labour in its being-for-itself).'[27]

But let us return to the proper subject of this chapter. As we have seen, the *Rough Draft* differs considerably in this respect from Volume I of *Capital*. The *Rough Draft* lacks not only the strict conceptual distinctions between raw material and object of labour, labour process and production process and between the process of value-formation and the process of valorisation – in addition the mode of presentation itself has an abstract character and exhibits traces of a 'coquetting with the Hegelian mode of expression'. In fact, though, the results of the analysis are the same in both texts, so that the presentation in the *Rough Draft* in this instance can be more or less regarded as the first version of Chapter 7 of Volume I of *Capital*.[28] However, what makes this presentation especially attractive (which applies to the *Rough Draft* in general) is that it takes us

[25] *ibid.* pp.324, 322.

[26] This terminology is borrowed from Hegel.

[27] *Grundrisse*, pp.303-04. This passage is directed against Bray, Gray, Proudhon *et al.*, but applies just as well to the present-day advocate of the theory of 'state capitalism'. They too forget that the capitalist is contained within the concept of capital, and that 'capitalism' without the capitalist class would be a contradiction in terms.

[28] See *Capital* I, pp.283-306 (177-98).

into Marx's scientific workshop, and allows us to witness the process by which his economic theory develops. The next chapter will show even more clearly that this does not take place without experiment and terminological approximations.

14.
Creation of Value and Preservation of Value in the Production Process

('Variable' and 'Constant' Capital)

In the previous chapter our main concern was that part of production costs in which the expansion of value, surplus-value, originates. This is living labour, directly exchanged for capital.[1] However, what happens to those parts of the value of capital which represent the labour embodied in raw materials and in the means of labour? For example, if the capitalist has a capital of 100 thalers and lays out 50 for cotton, 10 for the instruments of labour[2] and 40 for wages (four hours' labour being contained in the wage), then he reckons – after letting the worker work for eight hours – to have preserved his capital, 'reproduced', with a profit of 40 thalers, so that he would be in the possession of a commodity equal to 140 thalers. But how is the worker supposed to accomplish this 'since one half of his working day, as his wages show, creates only 40 thalers out of the instrument and material; the other half only the same; and he disposes of only one working day, cannot work two days in one?' Since his actual product equals 80 thalers he can only reproduce 80, not 140; the capitalist would therefore suffer a loss of 20 on his original capital, instead of making a profit of 40 thalers.[3] If this is so, how can labour be regarded as the sole source of value, as value-creating?[4]

Once more we have to distinguish between value and use-value.

[1] 'What in this transaction is *directly* sold is not a commodity in which labour has already realised itself, but *the use of the labour-power itself* and therefore in fact the *labour itself*, since the use of the labour-power is its activity – labour. It is therefore not an exchange of labour mediated through an exchange of commodities.' (*Theories* I, p.397.)

[2] Of course, here the 10 thalers only represent the portion of the instruments of labour which is entirely consumed in one period of production.

[3] *Grundrisse*, p.354. Of course, this example is somewhat inept, since an employer who only employed one worker cannot count as a capitalist. But this is of no concern here.

[4] Marx says: 'Such objections were heaped on Ricardo; that he regarded profit and wages only as components of production costs, not the machine and the material.' (*ibid.* p.354.)

If we look at the production process from the standpoint of the simple labour process, the above question presents no difficulties. In the labour process 'labour presupposes the existence of an instrument which facilitates the work, and of a material in which it presents itself, which it forms'. It is clear that, 'if the cotton did not already have the form of yarn and wood and iron the form of the spindle', the worker 'could produce no fabric, no higher use-value. For him himself, the 50 thalers and the 10 thalers in the production process are nothing *but yarn and spindle, not exchange-values*'.[5] In the course of production 'the transitoriness of the form of things is used to posit their usefulness. When cotton becomes yarn, yarn becomes fabric, fabric becomes printed etc., or dyed etc. fabric, and this becomes, say, a garment, then (1) the substance of cotton has preserved itself in all these forms . . . (2) in each of these subsequent processes, the material has obtained a more useful form, a form making it more appropriate to consumption; until it has obtained at the end the form in which it can directly become an object of consumption, when, therefore the consumption of the material and the suspension of its form satisfies a human need, and its transformation is the same as its use'.[6]

Thus it is inherent in the simple labour process, 'that the earlier stage of production is preserved through to the later', that the material of labour and the means of labour can only be protected from uselessness and decay, by becoming the object of new living labour. 'As regards *use-value*, labour has the property of preserving the existing use-value by raising it, and it raises it by making it into the object of new labour as defined by an ultimate aim; by changing it in turn from the form of its indifferent consistency into that of objective material, the body of labour.'[7] But 'this *preservation of the old use-value* is not a process taking place separately from the increase or the completion of the use-value by new labour'; – and the

[5] *ibid.* pp.354, 355.
[6] *ibid.* p.361.
[7] *ibid.* p.362 (where Marx also writes: 'A spindle maintains itself as a use-value only by being used up for spinning. If it is not, the specific form, which is here posited in iron and wood, would be spoiled for use, together with the labour which posited it and the material in which it did the positing. The use-value of wood and iron, and of their form as well, are preserved only by being posited as a means of living labour, as an objective moment of the existence of labour's vitality. As an instrument of labour, it is their destiny to be used up, but used up in the process of spinning. The increased productivity which it lends to labour creates more use-values and thereby replaces the use-value eaten up in the consumption of the instrument.')

fact that the worker preserves it 'by using the instrument as instrument and by giving the raw material a higher use-value . . . lies in the nature of work itself'.[8]

So much on the preservation and increase of the use-value of the means of production effected by the labour process. As elements of capital, however, these means of production are simultaneously values, definite amounts of objectified labour-time. As such they reappear in the value of the product. But, how does this occur? We saw that the worker added nothing in value to the product apart from his working day (For example: 'If in addition to the fabric, the worker also had to create the yarn and the spindle in the same working day, then the process would in fact be impossible.') Hence, if the values of the means of production reappear in the product this is only because they already existed previously, before the process of production. They are not 'reproduced'[9] or newly created in this process, but simply preserved 'in that their quality is preserved as use-value for further labour, through the contact with living labour. The use-value of cotton, as well as its use-value as yarn, are preserved by being woven; by existing as one of the objective moments (together with the spinning wheel) in the weaving process. *The quantity of labour-time contained in the cotton and the cotton yarn are therefore also preserved thereby.* The preservation of the quality of previous labour in the simple production process – hence of its material as well – becomes, in the realisation process, the preservation of the quantity of labour already objectified.'[10] However, this preservation does not require any additional effort by the worker. Assuming that the means of production come from nature, without any human assistance, then the value of the product is reduced to the value added by the worker, and will equal one objectified working day. Insofar as the means of production 'are products of previous labour . . . the product contains, in addition to its new value, the old as well.'[11] The worker, therefore, 'replaces the old labour-time by the act of working itself, not by the addition of special labour-time for this purpose. He replaces it simply by the addition of the *new*, by means of which the old is preserved in the product and becomes an element of a new product.'[12]

[8] *ibid.* pp.362-63.
[9] Marx remarks on this: 'It can therefore only be said that he reproduces these values insofar as *without* labour they would rot, be useless; but *without them, labour* would be equally useless.' (*ibid.* p.355.)
[10] *ibid.* pp.355, 363.
[11] *ibid.* p.356.
[12] *ibid.*

It can be seen that it is not the quantity of living labour but rather its quality which preserves the labour-time already present in the raw material and instrument of labour. Here we come to a point where the presentation in the *Rough Draft* diverges from that of *Capital*. Thus we read in the *Rough Draft*: 'That the labour-time contained in the raw material and instrument is preserved at the same time is a result *not of the quantity of labour*, but of its *quality of being labour as such*; and there is no special payment for this, its general quality, for the fact that *labour, as labour is labour* – leaving aside all special qualifications, all specific kinds of labour – because capital has bought this quality as part of its exchange with the worker.'[13]

In *Capital*, in contrast to this, the twofold nature of the results of labour (namely the 'addition of new value to the object of labour' on the one hand, and the 'preservation of the old value in the product' on the other) is derived from the twofold nature of labour itself, from its double character as concrete useful labour which creates use-values, and abstract human, value-creating labour.

We read there: 'We saw, when we were considering the process of creating value, that if a use-value is effectively consumed in the production of a new use-value, the quantity of labour expended to produce the article which has been consumed, forms a part of the quantity of labour necessary to produce the new use-value; this portion is therefore labour transferred from the means of production to the new product. Hence the worker preserves the values of the already consumed means of production, or transfers them to the product as portions of its value, not by virtue of his *additional labour as such*, but by virtue of the *particular useful character of that labour*, by virtue of its *specific productive* form.'[14] And further: 'On the one hand, it is by virtue of its *general character* as expenditure of human labour-power in the abstract that spinning adds new value to the values of the cotton and the spindle; and on the other hand, it is by virtue of its special character as a concrete, useful process that the same labour of spinning both *transfers* the values of the means of production to the product and *preserves* them in the product. Hence a *twofold* result emerges *within the same period of time*.'[15]

A comparison of the two presentations shows why Marx had to

[13] *ibid.* p.359.
[14] *Capital* I, p.308 (200).
[15] *ibid.* pp.308-09 (200-01).

correct his original formulation. Labour, in its abstract character as 'labour in general', represents value-creating labour and is capable of merely quantitative distinction only. Consequently it cannot be used to explain the preservation of value.[16]

We pointed out previously that the value-preserving capacity of labour costs the worker nothing; the same applies to the capitalist who pockets it '*for nothing, as surplus labour*'. 'But he obtains it free of charge because . . . the material and the instrument of labour are already in his hands as presupposition, and the worker cannot work, therefore, without making this already objectified labour, now in the hands of capital, into the material of his own labour, thereby also preserving the labour objectified in this material.'[17] 'Like every other natural or social power of labour, or of such previous labour as does not need to be repeated (e.g. the historical development of the worker), this natural animating power of labour – namely that, by using the material and instrument, it preserves them in one or another form, including the labour objectified in them, their exchange-value becomes a *power of capital*, not of labour. Hence not paid for by capital. As little as the worker is paid for the fact that he can think etc.'[18] Therefore if this natural gift of active labour-power brings benefits only to the capitalist, this is 'already posited in the *relation of capital and labour*, which in itself is already the former's profit and the latter's wage'.[19] Or, expressed in another way: 'Within the production process the separation of labour from its objective moments of existence – instruments and material – is *suspended. The existence of capital and labour rests on this separation.* Capital does not pay for the suspension of this separation which proceeds in the real production process – for otherwise work would

[16] We read, besides, in another passage from the *Rough Draft*: 'Living labour *adds a new amount of labour*; however, it is not this *quantitative addition* which preserves the amount of already objectified labour, but rather its *quality as living labour*, the fact that it relates as labour to the use-values in which the previous labour exists.' (*Grundrisse*, p.363.) But what is the 'relation of labour to use-values' apart from concrete, useful labour?
[17] *ibid.* p.356.
[18] *ibid.* p.358.
[19] *ibid.* p.357. This connection only occurs to the capitalist in periods of crisis. 'If the capitalist employs labour only in order to create surplus-value – to create value in addition to that already present – then it can be seen as soon as he orders work to stop that his already present capital, as well, becomes devalued; that living labour hence not only adds new value, but, by the very act of adding new value to the old one, maintains, eternises it.' (*ibid.* p.365.)

not go on at all . . . If it had to pay for this quality also, then it would just cease to be capital.'[20]

In contrast to the means of production, whose value is merely preserved and transferred to the product, the subjective factor of the production process, labour-power, is itself a source of new value, since its activity represents 'the objectification of new labour-time in a use-value'. It is important to distinguish between necessary and surplus labour at this point. As long as the worker merely produces an equivalent for the value of his own labour-power 'he only *replaces* the money advanced by the capitalist in purchasing labour-power, and spent by the worker on the means of subsistence'. With regard to the amount of wages spent, this part of the newly created value 'appears merely as *reproduction.* Nevertheless, it is a *real* reproduction, not, as in the case of the value of the means of production, simply an *apparent* one. The replacement of one value by another is here brought about by the creation of new value.'[21] By contrast, what the worker produces beyond this is 'not reproduction, but the addition of value, surplus-value' – hence a creation of value which represents a fundamentally different category and which alone gives capitalist production the reason for its existence.

The consequences of this are as follows : as far as their value is concerned, the different factors of the production process behave completely differently. The objectified factors (raw material, instrument of labour) cannot add more value to the product than they possess themselves; their value is simply preserved, and therefore remains unchanged.[22] The situation is quite different with the subjective factor, labour-power, which not only reproduces its own value, but adds new value, surplus-value, to the product. It is the only element of production which undergoes an alteration in value in the course of the valorisation process. We thus come to the concepts of constant and variable capital, which correspond to the dif-

[20] *ibid.* p.364. Marx adds: 'This is part of the material role which labour plays by its nature in the production process; of its use-value. But as use-value, labour belongs to the capitalist; it belongs to the worker merely as exchange-value. Its living quality of preserving objectified labour-time by using it as the objective condition of living labour in the production process is none of the worker's business. *This appropriation, by means of which living labour makes instruments and material in the production process* into the body of its soul and thereby resurrects them from the dead, does indeed stand in antithesis to the fact that labour itself is objectless, is a reality only in the immediate vitality of the worker – and that instrument and material, in capital, exist as beings-for-themselves.' (*ibid.* p.364.)

[21] *Capital* I, p.316 (208). Cf. *Grundrisse*, pp.359-60.

[22] *Grundrisse*, pp.321-22.

ferent functions of the means of production and labour-power in the valorisation process.[23] This is a conceptual distinction whose importance for Marx's theoretical system is immediately obvious, but which he only came to in the course of his work on the *Rough Draft.*[24] What later turned out to be 'constant' capital is initially characterised as 'unchanged', 'unchangeable' or 'invariable' value, and is counterposed to the 'changed', 'changeable' or 'reproduced value'.[25] It is not until later, towards the end of his analysis of the production process, that he begins to use the denotations 'constant' and 'variable' capital.

Marx used this distinction between value-creating and value-preserving labour to put a stop to those theories expounded by bourgeois apologists which sought to derive the profit of capital from the 'productive services', 'which the means of production perform in the labour process by means of their *use-value*'.[26] 'The individual capitalist may imagine (and for his accounts it serves as well) that, if he owns a capital of 100 thalers, 50 thalers in cotton, 40 thalers to buy labour with, 10 thalers in instrument, plus a profit of 10 per cent counted as part of his production costs, then labour has to replace his 50 thalers of cotton, 40 thalers subsistence, 10 thalers instrument plus 10 per cent of 50, of 40 and of 10; so that in his imagination, labour creates 55 thalers of raw material, 44 thalers subsistence and 11 thalers instrument for him, together = 110. But', Marx adds, 'this is a peculiar notion for economists . . . If the worker's working day = 10 hours, and if he can create 40 thalers in 8 hours, i.e. can create his wage, or what is the same, can maintain and replace his labour-capacity, then he needs 4/5 of a day in order to replace his wages for capital, and he gives capital 1/5 in surplus labour, or 10 thalers.' This surplus of 10 thalers then constitutes the total profit of the capitalist. 'The total objectified labour which the worker has created, then,

[23] 'The same elements of capital which, from the point of view of the labour process, can be distinguished respectively as the objective and subjective factors, as means of production and labour-power, can be distinguished, from the point of view of the valorisation process, as constant and variable capital.' (*Capital* I, p.317 (209).)

[24] 'This point must, indeed, be examined, because the distinction between the invariable value, the part of capital which is preserved; that which is reproduced. . . . and that which is newly produced, is of essential importance.' (*Grundrisse*, p.386.)

[25] Cf. *Grundrisse*, pp.321, 377, 386, 395-96.

[26] 'But the commodity as an exchange-value is always considered solely from the standpoint of the result. What matters is not the service it renders, but the service rendered to it in the course of its production . . . It can easily be seen what "service" the category "service" must render to economists of the stamp of J.B.Say and F.Bastiat . . .' (*Contribution*, p.37.)

is 50 thalers, and regardless of the costs of the instrument and of the raw materials, more he cannot add, for his day cannot objectify itself in more labour than that . . .'[27] The illusion 'of the ordinary economist and the even more ordinary capitalist . . . that 10 per cent has been produced in equal proportions by all parts of capital',[28] rests on the one hand on the misinterpretation of the role of the means of production in the valorisation process, and on the other on the confusion of the real rate of surplus-value with this rate, calculated on capital as a whole i.e. the rate of profit.[29] However, the rate of profit on capital in no way expresses the rate 'at which living labour increases objective labour; for this increase is merely = to the surplus with which the worker reproduces his wage i.e. = to the time which he works over and above that which he would have to work in order to reproduce his wages.'[30] The extent of this increase can therefore only be reliably determined from the relation of the new value produced to the variable part of capital.

[27] *Grundrisse*, p.357.

[28] *ibid.* p.376. As often happens in the *Rough Draft*, Marx inadvertently replaced the numerical example in which the worker creates 40 thalers of surplus-value with one in which he only creates 10 thalers of surplus-value.

[29] See Chapter 25 of this work on the categories of profit and rate of profit.

[30] Marx continues, 'If the worker . . . were not a worker for a capitalist, and if he related to the use-values contained in the 100 thalers not as to capital but simply as to the objective conditions of his labour', then he would naturally not be compelled to perform surplus labour. He would, let us say, only work for ¾ of a day. But if he worked the whole day, 'because the material and the instrument were there on hand', it would not occur to him to regard the new gain thus created as a percentage of the total 'capital' of 100. For him, the increase of 25 per cent would simply imply that 'he could buy one fourth additional subsistence . . . and since he is concerned with use-values, these items of subsistence by themselves would be of value for him'. (*Grundrisse*, p.375.)

15.
The General Concept and Two Basic Forms of Surplus-Value

The previous chapter has brought us to the central category of Marx's system; to the category which, (as Engels said) 'was destined to revolutionise all previous economics, and which offered the key to an understanding of all capitalist production'[1] the category of surplus-value.

We saw that the increase in values which takes place in the capitalist process of production could in no way be derived from the 'productive services' of the objectified elements of capital, from the means of production. 'The advances made in the form of material and machine are merely transposed from one form into another . . . Their value is the result of previous production, not of the immediate production in which they serve as instrument and material.' Therefore the only value which is ~~actually~~ produced in the production process 'is that added by the new amount of labour. This value, however, consists of necessary labour, which reproduces wages . . . and of surplus labour, hence surplus-value above and beyond the necessary.'[2] Thus the secret of capitalist 'money-making' is resolved by the fact that the wage-labourer, who owns none of the means of production, is compelled to work beyond the time necessary for the maintenance of his life – that he can only live at all, if he simultaneously sacrifices a part of his life to capital. Only by these means can capital valorise itself, create surplus-value. 'What appears as surplus-value on capital's side appears identically on the worker's side as surplus labour in excess of his requirements as worker, hence in excess of his immediate requirements for keeping himself alive.'[3] In this respect there is no basic difference between the social situation of the wage-labourer and that of the exploited classes of earlier epochs; since '*Where capital rules* (just as where there is slavery and

[1] *Capital* II, p.16.

[2] *Grundrisse*, p.595.

[3] *ibid.* pp.324-25.

bondage or serfdom of any sort), *the worker's absolute labour-time*[4] *is posited for him as condition of being allowed to work the necessary labour-time, i.e. of being allowed to realise the labour-time necessary for the maintenance of his labour capacity in use-values for himself.*'[5]

Thus, just as with previous modes of exploitation, capital's mode of exploitation is also based on the surplus labour of the direct producers. It is clear that the capital relation (and also that of serfdom and slavery) would not be possible if human labour merely provided what was necessary to keep the producers alive. 'If the whole labour of a country', wrote an English author in 1821, 'were sufficient only to raise the support of the whole population, there would be no surplus labour, consequently nothing that can be allowed to accumulate as capital.'[6] Consequently, advantageous natural conditions, or a relatively high degree of productiveness of human labour, constitute the preconditions for every form of exploitation, for all forms of class-rule. In this sense, 'it can be said that surplus-value etc. rests on a *natural law*, that is, on the productivity of human labour in its exchange with nature'.[7] However, it does not follow from the fact that all surplus labour presupposes a surplus-product that the converse is true – that the mere possibility of a surplus-product creates the actual fact of surplus labour. Relations have to arise which compel the producers to work beyond their necessary labour-time. Marx cites in this connection a letter from a West Indian plantation owner, printed in *The Times* in November 1857, where the latter complains about the so-called 'Quashees' (the free blacks of Jamaica[8]). He describes, with 'great moral indignation', how the Quashees – instead of hiring themselves out as wage-labourers on the

[4] That is labour-time containing surplus-value.

[5] *ibid.* p.533.

[6] Taken from the anonymous pamphlet cited on p.397 of the *Grundrisse* and called *The Source and Remedy of the National Difficulties, deduced from principles of political economy in a letter to Lord John Russell.* (Cf. *Theories* III, p.251.)

[7] *Theories* III, p.332. (Several passages can be found in Marx's economic works which throw light on the question of the 'natural basis of surplus-value', from different aspects. The most important ones are: *Theories* I, pp.49, 151-53; *Theories* II, pp.16-17, 406-07; *Theories* III, pp.332, 449; *Grundrisse*, pp.324-25, 641-42; *Capital* I, pp.647-48 (512-13), 650-51 (514-15); *Capital* III, pp.632-34, 790-92.)

[8] The abolition of slavery took place in the British colony of Jamaica in 1833 – see the 'objective' description (that is, in reality, one which takes the side of the planters) in Sir Alan Burns, *History of the British West Indies*, 1954, pp.525ff.

sugar-plantations – 'content themselves with producing only what is strictly necessary for their own consumption, and alongside this "use-value", regard loafing (indulgence and idleness) as the real luxury good; how they do not care a damn for the sugar and the fixed capital invested in the plantations, but rather observe the planter's impending bankruptcy with an ironic grin of malicious pleasure, and even exploit their acquired Christianity as an embellishment for this mood of malicious glee and indolence.' These blacks 'have ceased to be slaves, not in order to become wage-labourers, but, instead, self-sustaining peasants working for their own consumption.[9] As far as

[9] It is quite obvious that the West Indian planter massively exaggerated in his letter. In fact, the great majority of 'Quashees' did not own their own land, from which they could satisfy 'their own necessary consumption'. They were therefore compelled to work for starvation wages on the plantations of their former masters. Just how desperate their situation was is proved – among other things – by the rebellion of the Jamaican Negroes in October 1865, which was cruelly suppressed by the British government. (See the echoes of this event in the correspondence between Marx and Engels. *MEW* Vol.31, pp.155, 157, 159, 187.)

In this connection it should be remembered that in England itself the former slave-owners found their warmest advocate in the person of the famous 'anti-capitalist romantic', Thomas Carlyle. He wrote in his pamphlet *Occasional Discourse on Negro Slavery*: 'Where a black man by working about half an hour a day (such is the calculation) can supply himself, by aid of sun and soil, with as much pumpkins as will suffice, he is likely to be a little stiff (to) raise into hard work! Supply and demand, which, science says, should be brought to bear on him, have an up-hill task with such a man. Strong sun supplies itself gratis, rich soil in those unpeopled or half-peopled regions almost gratis; these are his "supply"; and half an hour a day, directed upon these, will produce pumpkin, which is his "demand". The fortunate black man, very swiftly does he settle his account with supply and demand:– not so swiftly the less fortunate white man of these tropical localities. He himself cannot work; and his black neighbour, rich in pumpkin, is in no haste to help him. Sunk to the ears in pumpkin, imbibing saccharine juices, and much at his ease in the Creation, he can listen to the less fortunate white man's "demand", and take his own time in supplying it. Higher wages, massa; higher, for your cane-crop cannot wait; still higher, – till no conceivable opulence of cane-crop will cover such wages!' And further: 'If Quashee will not honestly aid in bringing out those sugars, cinnamons, and nobler products of the West Indian islands, for the benefit of all mankind, then I say neither will the Powers' (that is our dear Lord, as whose interpreter Carlyle presents himself) 'permit Quashees to continue growing pumpkins there for his own lazy benefit; but will sheer him out, by-and-by, like a lazy gourd overshadowing rich ground; him and all that partake with him – perhaps in a very terrible manner . . . No, the gods wish besides pumpkins, that spices and valuable products be grown in the West Indies; thus much they have declared in making the West Indies: infinitely more they wish that manful industrious men occupy their West Indies, not indolent two-legged cattle, however

they are concerned capital does not exist as capital, because autonomous wealth as such can exist only either on the basis of *direct* forced labour, slavery, or indirect forced labour, wage-labour. Marx adds: 'Wealth confronts direct forced labour not as capital, but rather as *relation of domination* . . . for which wealth itself has value only as gratification, not as wealth itself and which can therefore never create *general industriousness*' and universal application in the same way that the capital-relation can.[10]

In the last sentence we referred to the special role which capital plays 'as an agent in producing diligent labour on the part of others, as an extractor of surplus labour and an exploiter of labour-power'.[11] The ruling classes of earlier epochs also managed to squeeze considerable amounts of surplus labour from their subjects. But where the development of the productive forces is still slight the surplus-product must also remain relatively small, and the 'masters themselves do not live much better than the servants'.[12] On the other hand it is clear 'that in any economic formation of society, where the *use-value* rather than the exchange-value of the product predominates, surplus labour will be restricted by a more or less confined set of needs, and that no *boundless thirst for surplus labour* will arise from

"happy" over their abundant pumpkins!' 'You are not "slaves" now,' preaches Carlyle, the *laudator temporis acti*, to the Jamaican blacks, 'nor do I wish, if it can be avoided, to see you slaves again; but decidedly you will have to be servants to those that are born wiser than you, that are born lords of you – servants to the whites, if they are, as what mortal can doubt they are? Born wiser than you. That you may depend upon it my obscure Black friends, is and was always the Law of the World, for you and for all men: To be servants, the more foolish of us to the more wise; and only sorrow, futility and disappointment will betide both, till both in some approximate degree get to conform to the same . . . I say, no well being and in the end no being at all, will be possible for you or us, if the law of Heaven is not complied with. And if "slaves" means "essentially servant hired for life" – for life, or by a contract of long continuance and not easily dissoluble – I ask whether, in all human things, the "contract of long continuance" is not precisely the contract to be desired, were the right terms once found for it? Servant hired for life, were the right terms once found, which I do not pretend they are, seems to me much preferable to servant hired for the month, or by contract dissoluble in a day. An ill-situated servant, that; servant grown to be nomadic; between whom and his master a good relation cannot easily spring up!' (Cited from the text of the North American, J.Bigelow, *Jamaica in 1850: or, the Effects of Sixteen Years of Freedom on a Slave Colony*, New York 1851, pp.118-22.) For the later development of Carlyle cf. *Capital* I, p.366 (245-51).

[10] *Grundrisse*, p.326.

[11] *Capital* I, p.425 (309-10).

[12] *Theories* II, p.16.

the character of production itself.'[13] Only under capitalism does the appropriation of surplus labour become an end in itself, and its continuous expansion become an indispensable condition of the production process. Capital has means and powers[14] at its disposal which far exceed the direct enforced labour of previous societies in terms of 'energy, limitlessness, and efficacy', and which therefore make the capitalist mode of production appear as an 'epoch-making mode of exploitation'.[15] In this context Marx is thinking, above all, of the production of so-called relative surplus-value.

There are two basic methods of expanding surplus labour. Firstly, by the simple prolongation of the labour process. Secondly – with a given length of the working day – by an increase in the productivity of labour, or its intensification.[16] In the first case surplus labour is obtained by the extension of the total amount of time worked by the producers, and in the second by shortening their necessary labour-time. Marx therefore calls the first absolute, and the second relative surplus labour. The foundation of the first is the 'natural fertility of the land, of nature';[17] whereas the second is based 'on the development of the social productive forces of labour'.[18] Correspondingly, the first form of surplus labour is not only the general basis of the second, but also much older than it. In fact it is as old as human exploitation in general, and is therefore a form of exploitation which can be said to be common to all class societies.[19]

[13] *Capital* I, p.345 (235).

[14] Marx states in another section in the *Rough Draft* that not until capitalism does money become the 'means of general industriousness', does the striving for money become the 'urge of all'. 'When the aim of labour is not a particular product standing in a particular relation to the particular needs of the individual, but money, wealth in its general form . . . the individual's industriousness knows no bounds; it is indifferent to its particularity, and takes on every form which serves the purpose.' Admittedly, Marx adds: 'General industriousness is possible only where every act of labour produces general wealth, not a particular form of it; where, therefore, the individual's reward too, is money.' It therefore presupposes labour as wage-labour. (*Grundrisse*, p.224.)

[15] *Capital* II, p.37.

[16] *Capital* I, p.533 (409).

[17] Consequently, the possibility of surplus labour depends on the natural productivity of agricultural labour, and this constitutes, according to Marx, the correct kernel of the Physiocratic doctrine. (*Capital* III, p.784.)

[18] *Theories* III, p.449.

[19] This form of surplus labour played the dominant role in the systems of serfdom and slavery. By contrast, relative surplus labour only crops up sporadically in pre-capitalist conditions. Thus, for example, the feudal lords who produced for export in East and Central Europe in the 17-19th centuries sometimes tried to force upon their serfs the so-called 'measured forced labour'

Absolute surplus labour is also indispensable for capital – especially during the infancy of the capitalist mode of production, when it first 'takes over the labour process *in its given or historically transmitted shape*, and simply prolongs its duration'.[20] Absolute surplus labour thus plays the decisive role here, and consequently 'the distinction between production under capital and earlier stages of production is only formal' at this particular level of development (in the sense that the extraction of surplus labour in previous systems of production is 'posited directly by force', whereas under capital, by contrast 'it is mediated through exchange'). 'Use-values grow here in the same simple relation as exchange-values, and for that reason this form of surplus labour appears in the slave and serf modes of production etc. where use-value is the chief and predominant concern, as well as in the mode of production of capital, which is directly oriented towards exchange-value, and only indirectly towards use-value.'[21] However, regardless of how important and indispensable the appropriation of absolute surplus labour was, and still is, it does not characterise the essence of the capitalist mode of production. (We shall see later that the latter's methods of production are based on the combination of both types of surplus labour.) The essence of the capitalist mode of production consists rather in the continuous revolutionising of the technical and social conditions of the labour process in order to push back the original natural limits of necessary labour-time and thus progressively to extend the domain of surplus labour. It is not therefore in absolute but in relative surplus labour 'that the industrial and distinguishing historic character of the mode of production founded on capital' appears.[22] This is the primary sense in which capital is productive – 'insofar as it is a coercive force on wage-labour . . . spurring on the productive power of labour to produce relative surplus-value'.[23]

('*Gemessene Robot*' – an Austro-Bohemian expression). (Cf. the charters of Maria Theresa and Joseph II forbidding this 'standard forced labour' [*Mass-robot*].) However, such attempts by the feudal lords mostly came to grief on the primitiveness of the agricultural technique then prevailing. This situation is referred to by Richard Jones in his *Essay on the Distribution of Wealth and on the Sources of Taxation* (1831, pp.37-38). We read on this in *Theories* III, p.400: 'Rent can only be increased either by the more skilful and effective utilisation of the labour of the tenantry (relative surplus labour), this however is hampered by the inability of the proprietors to advance the science of agriculture, *or* by an increase in the total quantity of labour extracted.'

[20] *Capital* I, p.432 (315).

[21] *Grundrisse*, p.769.

[22] *ibid.*

[23] *Theories* I, p.93.

In this respect the difference between the mode of production of capital and that of any previous epoch goes much deeper. We stressed that the capitalist mode of production is oriented to exchange-value from the outset, and that the production of use-values is not an end, but only a means to an end – the valorisation of capital. But this means that capital not only has to enforce surplus labour, but also realise it as surplus-value.

Two things result from this. Firstly, 'the surplus-value created at one point requires the creation of surplus-value at *another* point for which it can be exchanged.' 'A precondition of production based on capital is therefore the *production of a constantly widening sphere of circulation*, whether the sphere itself is directly expanded or whether *more points within it are created as points of production* . . . Hence just as capital has the tendency on one side to create ever more surplus labour, so it has the complementary tendency to create more points of exchange; i.e., here, seen from the standpoint of *absolute* surplus-value or surplus labour, to summon up more surplus labour as complement to itself; i.e. at bottom, to propagate production based on capital, or the mode of production corresponding to it.'[24] Thus every limit appears to capital 'as a barrier to be overcome', in that it seeks 'to subjugate every moment of production itself to exchange and to suspend the production of direct use-values not entering into exchange i.e. precisely to posit production based on capital in place of earlier modes of production.' Consequently, trade appears 'as an essentially all-embracing presupposition and moment of production itself' and 'the tendency to create the *world market* is directly given in the concept of capital itself.'[25]

On the other hand, we read in the *Rough Draft* that, in order to advance the production of *relative* surplus-value based on the increase and development of the productive forces, capital must seek to ensure 'that the consuming circle within circulation expands as did the productive circle previously'. The capitalist mode of production therefore requires: 'Firstly: quantitative expansion of existing consumption; secondly: creation of new needs by propagating existing

[24] Marx also speaks, in this sense, of the 'propagandistic tendency of capital' in other passages in the *Grundrisse* (pp.542, 771). In *Capital* these 'propagandistic tendencies' are mentioned in Volume I, p.649 (514-15).

Cf. Luxemburg's *Accumulation of Capital*, p.467. 'Capitalism is the first mode of economy with the weapon of propaganda – a mode which tends to engulf the entire globe and stamp out all other economies, tolerating no rival at its side.' (Hilferding too, spoke of the 'propagandist power' of the cartels in *Das Finanzkapital*, p.289.)

[25] *Grundrisse*, pp.407-08.

ones in a wide circle; thirdly : production of new needs and discovery and creation of new use-values.' In other words, the main issue is 'that the surplus labour gained does not remain a merely quantitative surplus, but rather constantly increases the circle of qualitative differences within labour . . . makes it more diverse, more internally differentiated.' 'For example, if, through a doubling of productive force, a capital of 50 can now do what a capital of 100 did before, so that a capital of 50 and the necessary labour corresponding to it become free, then, for the capital and labour which have been set free, a new, qualitatively different branch of production must be created, which satisfies and brings forth a new need.[26] The value of the old industry is preserved by the creation of the fund for a new one in which the relation of capital and labour posits itself in a new form. Hence exploration of all of nature in order to discover new, useful qualities in things; universal exchange of the products of all alien climates and lands; new (artificial) preparation of natural objects, by which they are given new use-values . . . the development, hence, of the natural sciences to their highest point; likewise the discovery, creation, and satisfaction of new needs arising from society itself; the cultivation of all the qualities of the social human being, production of the same in a form as rich as possible in needs, because rich in qualities and relations – production of this being as the most total and universal possible social product, for, in order to take gratification in a many-sided way, he must be capable of many pleasures, hence cultured to a high degree – is likewise a condition of production founded on capital.'[27]

Marx goes on to say that, just as capitalist production 'creates universal industriousness on one side . . . so does it create on the other side a system of general exploitation of the natural and human qualities, a system of general utility,[28] utilising science itself just as much as all the physical and mental qualities; while there appears nothing higher in itself, nothing legitimate for itself, outside this circle of social production and exchange. Thus capital creates the bourgeois society, and the universal appropriation of nature as well as of the social bond itself by the members of society. Hence the great civilising influence of capital; its production of a stage of society in comparison

[26] One only has to think of the newly-created mass needs for cars, refrigerators, television sets etc.

[27] *Grundrisse*, pp.408-09.

[28] Marx hints here at the 'Doctrine of Utility' developed by the philosophers and economists of the 17th and 18th centuries. One should also look at his sketch of the development of the theory of utility in the *German Ideology*, pp.268ff and note 51, on pp.758-59 of *Capital* I (Note 2, p.609).

to which all earlier ones appear as mere *local developments* of humanity and as *nature-idolatry*. For the first time, nature becomes purely an object for humankind, purely a matter of utility; ceases to be recognised as a power for itself; and the theoretical discovery of its autonomous laws appears merely as a ruse[29] so as to subjugate it under human needs, whether as an object of consumption or a means of production. In accord with this tendency, capital drives beyond national barriers and prejudices as much as beyond nature worship, as well as all traditional, confined, complacent, encrusted satisfactions of present needs, and reproductions of old ways of life. It is destructive towards all of this, and constantly revolutionises it, tearing down all the barriers which hem in the development of the forces of production, the expansion of needs, the all-sided development of production, and the exploitation and exchange of natural and mental forces.'[30]

This is sufficient here on the 'propagandist' and 'civilising' tendencies of capital, as they emerge from its drive for absolute and relative surplus-value. This line of thought – which was first developed in the section of the *Rough Draft* devoted to the circulation process – represents something new. It is not to be found in *Capital* (except for occasional remarks), which is why we have introduced it here. We ought also to draw attention to the structure of the section of Marx's work dealing with the 'production process of capital', as it follows from the distinction between the two basic forms of surplus-value. As long as his concern was simply one of explaining the valorisation of capital in general, Marx was able to disregard, and had to disregard, relative surplus-value and confine himself to the analysis of the absolute form. However, the emphasis of the analysis shifts at this point : it becomes necessary to advance to relative surplus labour and relative surplus-value if we want to explain why capital creates for itself the most adequate form of its existence in the mechanised

[29] Marx makes use once again of a Hegelian concept. Lukacs writes: 'It is well known that the "cunning of reason" is the central concept in Hegel's later philosophy. Translated into more prosaic terms the expression refers to the idea that men make their own history themselves and that the actual driving force behind the events of history is to be found in the passions of men and in their individual, egoistic aspirations; but the totality of these individual passions nevertheless ends by producing *something other* than what the men involved had wanted and striven to attain. Nevertheless this other result is no fortuitous product, on the contrary, it is here that the laws of history, the "spirit" (to use Hegel's term) actually makes itself manifest.' (*The Young Hegel*, 1975, p.354.)

[30] *Grundrisse*, pp.409-410. Compare this with the well-known description of this tendency in the *Communist Manifesto* (*Selected Works*, pp.38-40).

factory and why the mass of living labour employed continually falls in relation to that objectified in the means of production during the course of the development of capitalist production, although the proportion of unpaid living labour to paid constantly grows. (This theme will be dealt with mainly in Chapters 17 and 18 of this work.)

16.
Relative Surplus-Value and Productive Force

(On the increasing difficulty of valorising capital with the development of the capitalist mode of production)

At this point there is an analysis in the *Rough Draft* which, although not in *Capital* Volume I, should nevertheless be gone into in some detail.

We have seen that the main distinguishing feature of capital's mode of production, what is specific to it, is its striving for relative surplus-value. Only through this can capital constantly advance the development of the material forces of production, and subjugate social progress itself to the service of wealth.[1]

However, in doing this capital encounters barriers which are inherent in it and make its mode of production appear as merely a transitory, although necessary, period of development.[2]

Capital can develop the productive forces of society only in as much as it valorises itself in doing so, insofar as it creates a surplus-value. However, the expansion of its value is bounded by the limits of the relation between necessary and surplus labour. It follows from this that the valorisation of capital must become more and more difficult as the productive forces are developed and necessary labour approaches its 'lowest' limit.

Let us assume that the proportion of necessary to surplus labour is 1 : 1. That is, the worker works just as long for the capitalist as he works for himself.

'By appropriating the entire day's work and then consuming it in the production process with the materials of which his capital consists, but by giving in exchange only the labour objectified in the worker – i.e. half a day's work – the capitalist creates the surplus-value of his capital; in this case half a day of objectified labour.' Now suppose 'that the productive powers of labour double . . . i.e. the

[1] *Grundrisse*, pp.589-90.

[2] We disregard here those barriers which arise from the necessity of the realisation of capital and its surplus-value. (This question is first dealt with by Marx in the Section of the *Rough Draft* devoted to the circulation process of capital.)

same labour creates double the *use-value* in the same time'.[3] Then the worker would only have to work for a quarter of a day in order to live for a whole day. If his labour-time were to be cut by a quarter the capitalist could still appropriate the same amount of surplus labour. Of course he would not be inclined to agree to such a shortening of the working day, since as a capitalist he must aim for a constantly growing valorisation of his capital – even if he is not compelled to do so through competition with other capitalists. He would therefore simply let the worker work the full day. 'The increase in productive force which allows the worker to work for $\frac{1}{4}$ day and live a whole day now expresses itself simply in that he now has to work $\frac{3}{4}$ for capital, whereas before he worked for it for only $\frac{2}{4}$ day. The increased productive force of his labour, to the extent that it is a shortening of the time required to replace the labour objectified in him . . . appears as a lengthening of the time he labours for the valorisation of capital . . .'[4]

But, Marx continues, something striking now takes place; the productivity of labour has doubled, but the surplus labour (or surplus-value) has only grown by a half – from two quarters of the day to three quarters. 'This shows then that surplus labour (from the worker's standpoint) or surplus-value (from capital's standpoint) does not grow in the same numerical proportion as productive force.' By contrast, if the worker had had originally to work for two thirds of a day, in order to live for a whole day, the necessary labour would have fallen from two thirds to one third through the doubling of the productive force, and correspondingly surplus labour would have doubled. The extent to which the increase 'in the productive force of labour increases the value of capital thus depends on the original relation between the portion of labour objectified in the worker and his living labour' (in which the total working day of the worker 'always appears as a limit'). Naturally the capitalist can never annex the entire working day since a definite portion of it always has to be exchanged for the labour objectified in the worker: 'Surplus-value

[3] Marx adds: 'For the moment' (i.e. at the present stage of the analysis), 'use-value is defined in the present relation as only that which the worker consumes in order to stay alive as a worker: the quantity of the means of life for which, through the mediation of money, he exchanges the labour objectified in his living labouring capacity.' (*ibid.* p.334.) In other words; the increase in productive force is only analysed to the extent that it affects branches of industry, 'whose products, directly or indirectly, enter into the formation of the worker's means of consumption'. A contrary assumption would only complicate the analysis without changing its result. (Cf. *Theories* I, pp.213ff and *Capital* I, p.436 (317-18).)

[4] *Grundrisse*, pp.334-35.

in general is only the relation of living labour to that objectified in the worker; *one member of the relation must therefore always remain.* A certain relation between increase in productive force and increase of value is already given in the fact that the relation is constant as a relation, although its factors vary'. Because of this relative surplus-value cannot grow 'in the same numerical proportion as the productive force'.[5] Rather its growth must slow down, as the following example shows.

We assume that the doubling of productivity has reduced necessary labour from a half to a quarter of a day, by which the capitalist has gained one quarter of a day's relative surplus-value. Suppose now that productivity doubles again; necessary labour will fall from a quarter to an eighth of a day and surplus labour will merely increase by one eighth of a day. Thus with every further increase in productivity the relative growth in surplus-value becomes smaller. 'If necessary labour had already been reduced to 1/1000, then the total surplus-value would be = 999/1000. Now if the productive force increased a thousandfold, then necessary labour would decline to 1/1,000,000 working day and the total surplus-value would amount to 999,999/1,000,000 of a working day . . . it would have thus grown by 999/1,000,000 . . . i.e. the thousandfold increase in productive force would have increased the total surplus by only a thousandth . . .'[6]

Marx summarises the result of his examination of the relation of the growth of relative surplus-value to the growth of the productivity of labour in the following three points:

'*Firstly*: The increase in the productive force of living labour increases the value of capital (or diminishes the value of the worker)[7] not because it increases the quantity of products or use-values created by the same labour – the productive force of labour is its natural force – but rather because it diminishes *necessary* labour, hence, in the same relation as it diminishes the former, it creates *surplus labour* or, what amounts to the same thing, surplus-value; because the surplus-value which capital obtains through the production process consists only of the excess of surplus labour over *necessary labour*. The increase in productive force can increase surplus labour – i.e. the

[5] *ibid.* pp.337-38. (Cf. in addition, the critique of Ricardo on pp.351-52.)

[6] In the original this reads: 'not even by 1/11'. (p.339; see footnote 51.) This is clearly an arithmetical error, like others which can be found both in the *Rough Draft* and in the *Theories*. Engels remarked in a similar context: 'Firmly grounded as Marx was in algebra, he was never entirely at home with numerical calculations . . .' (*Capital* II, p.289.)

[7] That is, labour-power.

excess of labour objectified in the exchange-value of the working day – only to the extent that it diminishes the relation of *necessary labour* to *surplus labour*, and only in the proportion in which it diminishes this relation.'

'*Secondly*: The surplus-value of capital does not increase as does the multiplier of the productive force, i.e. the amount to which the productive force . . . increases; but by the surplus of the fraction of the living work day which originally represents necessary labour, in excess over this same fraction divided by the multiplier of the productive force . . . Thus the *absolute sum* by which capital increases its value through a given increase of the productive force depends on the *given fractional part* of the working day, on the fractional part of the working day which represents *necessary labour*, and which therefore expresses the original relation of *necessary labour* to the living work day. The increase in productive force in a given relation can therefore increase the value of capital differently e.g. in different countries. A general increase of productive force in a given relation can increase the value of capital[8] differently in the different branches of industry, and will do so, depending on the different relation of necessary labour to the living work day in these branches.' (Marx adds: 'This relation would naturally be the same in all branches of business in a system of free competition, if labour were simple labour everywhere, hence necessary labour the same. If it represented the same amount of objectified labour.')[9]

'*Thirdly*: The larger the surplus-value of capital *before the increase of productive force*, the larger the amount of presupposed surplus labour or surplus-value of capital or the smaller the fractional part of the working day which forms the equivalent of the worker, which expresses necessary labour, the smaller is the increase in surplus-value which capital obtains from the increase of productive force. Its surplus-value rises, but in an ever smaller relation to the development of the productive force. Thus the more developed capital already is, the more surplus labour it has created, the more terribly must it develop the productive force in order to valorise itself in only smaller proportions, i.e. to add surplus-value – because its barrier always remains the relation between the fractional part of the day which expresses necessary labour, and the entire working day. It can move only within these boundaries. The smaller already the fractional part falling to *necessary labour*, the greater the *surplus labour*, the less can any increase in productive force perceptibly

[9] *Grundrisse*, pp.339-340.

[8] This refers of course to the surplus-value.

diminish necessary labour; since the denominator has grown enormously.[10] The self-valorisation of capital becomes more difficult to the extent that it has already been valorised.' In fact, at a certain point 'the increase in productive forces . . . valorisation itself . . . would become irrelevant to capital – because its proportions have become minimal and it would have ceased to be capital'.[11]

Marx stresses that these theses are 'only correct in this abstraction for the relation from the present standpoint' (that is, as long as the question is only that of the purely abstract relation between the development of productivity and the growth of surplus-value). 'Additional relations will enter which modify them significantly. The whole, to the extent that it proceeds entirely in generalities, *actually already belongs in the doctrine of profit*.'[12] And this is also the reason why these theses – despite their importance – only exist fragmentarily in Volume I of the later work.[13] However, they will be drawn upon later for the solution of the fundamental problem of the falling rate of profit – and we will have the opportunity to come back to them there.[14]

[10] 'But this happens not' (as the 'harmonisers' Bastiat and Carey suppose) 'because wages have increased, or the share of the labour in the product, but because it has already fallen so low, regarded in relation to the product of labour or the living work day.' (*ibid.* p.341.)

[11] *ibid.* pp.340-41.

[12] *ibid.* p.341.

[13] *Capital* I, p.657 (519).

[14] See the Appendix to Part V of this work.

17.
The Methods of Production of Relative Surplus-Value

(Co-operation, manufacture and machinery)[1]

In contrast to absolute surplus-value, relative surplus-value is not obtained by prolonging the period of work, but by cheapening the labour-power of the worker. 'Capital, therefore, has an immanent drive and a constant tendency . . . to revolutionise the technical and social conditions of the [labour] process and consequently the *mode of production itself* . . . in order to increase the *productivity of labour*, to lower the *value of labour-power* by increasing the productivity of labour and so to *shorten* the portion of the working day necessary for the reproduction of that value.'[2]

What then are the particular methods of production which capital develops in its drive for relative surplus-value?

The principal methods referred to are the capitalist application of co-operation, the division of labour according to manufacture, and, above all, the development of modern machinery. These occupy the whole of Part IV of Volume I of *Capital*, but are only dealt with sketchily in the *Rough Draft*, and then intermingled with other questions.

What first characterises these methods of production is that they subordinate the social productive powers of labour to the service of capital. As already pointed out,[3] it is inherent in the concept of wage-labour itself that the worker relinquishes the use-value of his commodity and consequently the fruits of his labour. The 'separation between labour and property in the product of labour' is therefore already given by the fact of the exchange between capital and labour.[4] However, what the worker sells to the capitalist, and what

[1] Up until now we have been able to follow the order of the presentation in the *Rough Draft*. However, from this chapter onwards this becomes impossible as the subjects under study are often dealt with in sections of Marx's manuscript which are scattered throughout the work.

[2] *Capital* I, pp.432, 436-37 (315, 319).

[3] See Chapter 12 above.

[4] *Grundrisse*, p.307.

he is paid for is 'his individual, isolated labour-power'. But in the process of production he is not employed as an individual but as a member of a 'working organism', through which his capacity to work acquires new, social powers.[5]

The reason for this is that even simple co-operation between labour-powers in no way signifies their mere addition; an addition to the productive force comes about, which arises from the very fact of the collective, combined character of labour. (This applies even more to the division of labour within workshops.) However, since the combination of the workers in the production process 'is not posited by them but by capital' it 'is not *their* being but the being of capital. *Vis-à-vis* the individual worker, the combination appears accidental.'[6] Therefore, the increase in productivity which arises from the co-operation of the workers benefits not them, but rather capital. (This is the simple consequence of the fact, 'that the really great development of the productive power of labour starts only from the moment when it is transformed into wage-labour . . . only under conditions in which the worker himself can no longer appropriate its result'.[7]) 'Thus all the progress of civilisation, or in other words every increase in the *powers of social production* . . . enriches not the worker but rather *capital*', becomes monopolised by the capitalist class. But all this progress operates to extend the domain of relative surplus labour, owing to the increase in productivity, and – 'since capital is the antithesis of the worker' – also to increase 'the *objective power* standing over labour', i.e. the power of capital.[8] (Marx states in another passage: 'The worker therefore justifiably regards the development of the productive power of his own labour as hostile to himself . . .')[9]

Thus the development of the specifically capitalist mode of production rests primarily on the social powers of labour. But capital can only place these powers at its service because it is, from the outset, a collective force and as such 'does not have isolated, but combined labour to deal with'.[10] The aim of capitalist production is *not* the creation of use-value, but exchange-value (more precisely: surplus-value). The surplus labour 'must therefore be large enough from the beginning to allow a part of it to be re-employed as capital'; that is, capital must be in the position 'of setting a certain quantity

[5] *Capital* I, p.451 (331).

[6] *Grundrisse*, p.585.

[7] *Theories* I, p.70.

[8] *Grundrisse*, p.308.

[9] *Theories* II, p.573.

[10] *Grundrisse*, p.529.

of living labour capacities to work simultaneously'.[11] In this sense the accumulation and concentration of labour-powers, the 'grouping of *many* around *one* capital', is contained in the concept of capital (unlike the accumulation and concentration of 'capital in its finished form',[12] which 'occurs by contrast against many capitals', and therefore presupposes the sphere of competition).[13]

In fact, at the beginnings of capitalist production the combination of workers by capital is 'merely *formal*, and concerns only the product of labour, not labour itself'. This combination simply consists in the fact that capital 'employs different hand weavers, spinners etc. who live independently and are dispersed over the land . . . Here, then, the mode of production is not yet determined by capital, but rather found on hand by it. The point of unity of all these scattered workers lies only in their mutual relation to capital . . . Instead of exchanging with many they exchange only with the one capitalist. The co-ordination of their work exists only *in itself* . . . insofar as each of them works for capital – hence possesses a centre in it – without [in fact] working together.'[14] Here, concentration is confined to the

[11] *ibid.* p.589. The combination of many workers in one production process is naturally not a form which is peculiar to capitalism. It is sufficient to refer here to the 'sporadic use of co-operation on a large scale' in the industrial enterprises of the ancient world or the Middle Ages, as well as large-scale agriculture carried out by slaves or serfs. 'Certain branches of industry, e.g. mining, already presuppose co-operation from the beginning. Thus, so long as capital does not exist, this labour takes place as forced labour (serf or slave labour) under an overseer. Likewise road building etc. In order to take over these works capital does not create but rather takes over the accumulation and concentration of workers.' However, in contrast to earlier systems of production, capital effects this 'same concentration in another way, through the manner of its exchange with free labour'. Here co-operation on a large scale is 'not compelled through direct physical force . . .; it is compelled by the fact that the conditions of production are alien property and are themselves present as objective association which is the same as accumulation and concentration of the conditions of production.' (*ibid.* pp.529, 586, 590.)

[12] Cf. note 129 on p.44 above.

[13] 'Before accumulation by capital, there is presupposed an accumulation which constitutes capital, which is a part of its conceptual determination; we can hardly call it concentration yet, because this takes place in distinction to many capitals; but if one still speaks only of capital generally, then concentration still coincides with accumulation or with the concept of capital. i.e. it does not yet form a particular aspect. However, capital does indeed exist from the outset as One or Unity as opposed to the workers as Many. And it thus appears as the concentration of workers . . ., as a unity falling outside of them. In this respect, concentration is contained in the concept of capital . . .' (*Grundrisse*, p.590.)

[14] *ibid.* p.586. Cf. *ibid.* pp.510-11.

concentration of exchange through capital. But this stage is rapidly superseded; a situation soon comes about in which capital no longer employs the workers as it finds them, but sets them to work together in one undertaking. 'Now capital appears as the collective force of the workers . . . as well as that which ties them together, and hence as the unity which creates this force' – which at the same time brings about 'the complete severance of the workers from the conditions of production', and their total dependence on capital.[15]

Initially this will merely involve the simple co-operation of a 'large number of workers working together, at the same time, in one place . . . in order to produce the same sort of commodity under the command of the same capitalist'. Such a factory can hardly be distinguished from the mode of production of the guild handicraft industries, 'except by the greater number of workers simultaneously employed by the same individual capital'.[16] But capital cannot confine itself to the mere co-ordination of workers – it must go beyond this stage. Of course, any production on a larger scale presupposes such co-ordination, and in this sense simple co-operation remains the 'basic form of capitalist production'. However, it would be historically incorrect to see it as a particular 'fixed' epoch in the development of the capitalist mode of production.[17]

This is because almost from its very beginning the factory of the early period of capitalism is compelled 'to use the concentration of workers in one place and the simultaneity of their labour in a different way' – so that the entire plant is divided into definite partial operations, and each of these operations is allotted to a particular group of workers. This creates the typical form of capitalist manufacture as an industrial mode of production, whose principle becomes the division of labour within the work-shop, and where, from the outset, what matters is not the quality of the product, as in handicraft, but mass production 'because the objective is exchange-value and surplus-value'.

Consequently manufacture, as the first historical form of capitalist production, initially appears 'where mass quantities are produced for export, for the external market', that is in commercial centres and coastal towns whose industrial production is 'so to speak naturally oriented towards exchange-value'. However, outside these great emporia, manufacture does not initially 'seize hold of the so-called urban trades, but of the rural secondary occupations, spinning

[15] *ibid.* p.587.

[16] *Capital* I, p.439 (322).

[17] *ibid.* p.453 (335).

and weaving – the labour which requires the least guild-level skills, technical training'. Or 'certain branches of production, such as glass-works, metal-works, sawmills etc. which demand a higher concentration of labour-powers from the outset . . . likewise concentration of the means of labour etc.' and therefore 'cannot be operated on guild-principles'.[18]

Nevertheless, however much early capitalist manufacture strives for relative surplus-value through co-operation and the division of labour, its laws are by no means identical with those 'which correspond to large-scale industry'.[19] For its basis remains handicraft skill, despite all the developments of the division of labour – its 'specific machinery' is the 'collective worker, formed out of the combination of a number of individual specialised workers'.[20] Consequently it is still correct to assume that 'necessary labour still takes up a great portion of the entire available labour-time in manufacture, hence that surplus-value per individual worker is still relatively small'. This is compensated for by the fact that in manufacture 'the rate of profit is higher, hence that capital accumulates more rapidly in relation to its already existing amount, than it does in big industry'. However, on the other hand, 'manufacture obtains this higher profit only through the employment of many workers at once . . .' And therefore it is absolute surplus-value which still predominates in manufacture, and gives it its characteristic stamp.[21]

This barrier is not overcome until modern industry, based on the use of machinery. In contrast to manufacture, the revolutionising of the mode of production in large-scale industry does not proceed from labour-power but from the means of labour.[22] This creates a situation in which the original relation between the worker and the means of labour becomes fundamentally changed. Handicraft, which was subject to the worker, is replaced by an 'animated monster' which 'objectifies the scientific idea and is in fact the co-ordinator', so that the individual worker only 'exists as its living isolated accessory'.[23] In contrast to the simple tool, the machine, and even more so, machinery as an automatic system, appears to be 'in no way . . . the individual worker's means of labour. Its distinguishing characteristic is not in the least, as with the means of labour, that it transmits the worker's activity to the object. This activity, rather, is posited in such a way

[18] *Grundrisse*, p.511.
[19] *Theories* II, p.583.
[20] *Capital* I, p.468 (348).
[21] *Grundrisse*, p.588.
[22] *Capital* I, p.492 (371).
[23] *Grundrisse*, p.470.

that it merely transmits the machine's work, the machine's action, on to the raw material – supervises it and guards against interruptions. Not as with the instrument, which the worker animates and makes into his organ with his skill and strength, and whose handling therefore depends on his virtuosity. Rather, it is the machine which possesses skill and strength in place of the worker,[24] is itself the virtuoso, with a soul of its own in the mechanical laws acting through it . . . The worker's activity, reduced[25] to a mere abstraction of activity, is determined and regulated on all sides by the movement of the machinery, and not the opposite.' Consequently the production process has ceased 'to be a labour process in the sense of a process dominated by labour as its governing unity. Labour appears, rather, merely as a conscious organ, scattered among the individual living workers at numerous points of the mechanical system; subsumed under the total process of the machinery itself, as itself only a link of the system, whose unity exists not in the living workers, but rather in the living (active) machinery . . . against which the valorising power of the individual labour capacity is an infinitesimal, vanishing magnitude . . .' The full development of capital takes place only when the means of labour 'appear as a machine within the production process, opposite labour; and the entire production process appears as not subsumed under the direct skilfulness of the worker, but rather as the technical application of science. [It is], hence, the tendency of capital to give production a scientific character; direct labour [is] reduced to a mere moment of this process.'[26]

How does this transformation of the means of labour, and the consequent revolutionising of the entire mode of production, affect the valorisation process of capital?

[24] Marx says on pre-capitalist forms of co-operation: 'The greater the extent to which production still rests on mere manual labour, on use of muscle power etc. in short on physical exertion by individual labours, the more does the increase of the productive force consist in their collaboration on a mass scale.' ('Hence the violent rounding up of the people in Egypt, Etruria, India etc. for forced construction and compulsory public works.') The situation is different with 'semi-artistic crafts': here what was important was the 'skilfulness of individual, but uncombined labour'. Capital 'combines mass labour with skill, but in such a way that the former loses its physical power, and the skill resides not in the worker but in the machine and in the scientific combination of both as a whole in the factory. The social spirit of labour obtains an objective existence separate from the individual workers.' (*ibid.* p.529.)

[25] In the sense that the worker's activity 'becomes more and more a . . . purely mechanical activity, hence indifferent to its particular form.' (*ibid.* p.297.)

[26] *ibid.* pp.692-94, 699.

In another passage Marx comments that political economists often claim that machinery 'saves labour' and that with its help 'human labour performs actions and creates things it would be absolutely incapable of creating without it.' Both points are correct, but only refer to 'the use-value of machinery'[27] and to the labour process as such, not to machinery's role in the valorisation process of capital. Here machinery's main function is to act as a means of increasing the production of surplus-value.

As Marx describes so impressively and in such detail in Volume I of *Capital*, the introduction of the machine system went hand in hand with an excessive lengthening of the working day and with the most ruthless exploitation of the labour of women and children. But this is not the immanent purpose of machinery – it is essentially a means for increasing *relative* surplus-value.

It is inherent in the concept of relative surplus-value that necessary labour is saved by increasing productivity, in order to extend surplus labour.[28] 'The transformation of the means of labour into machinery is the realisation of this tendency.'[29] Therefore 'only in the imagination of economists does [machinery] leap to the aid of the individual worker' by reducing and facilitating his labour! (On the contrary: the capitalist use of machinery robs the activity of the worker of all 'independence and attractiveness', by transforming him not only into a part of a worker, but into a mere segment of a machine.) 'Capital employs machinery, rather, only to the extent that' (through reducing necessary labour) 'it enables the worker to work a larger part of his time for capital, to relate to a larger part of his time as time which does not belong to him. . . . Through this process, the amount of labour necessary for the production of a given object is indeed reduced to a minimum, but only in order to valorise a maximum of labour in the maximum number of objects.'[30] Thus in reality the capitalist use of machinery turns out to be the opposite of that attributed to it by bourgeois apologists; instead of making the worker

[27] *ibid.* p.389.

[28] What is characteristic of machinery is 'the saving of necessary labour and the creating of surplus labour'. (*ibid.*)

[29] *ibid.* p.693. Cf. the section of the *Rough Draft* quoted in note 153 on p.49 above where Marx stresses that the 'entrance of machinery' is not to be developed 'from competition' but rather 'from the relation of capital to living labour'. (In *Wage-Labour and Capital* Marx himself derives machinery from the competition of capitalists.)

[30] *Grundrisse*, p.701. Marx notes in addition: 'The first aspect is important, because capital here – quite unintentionally – reduces human labour, expenditure of energy, to a minimum. This will redound to the benefit of emancipated labour, and is the condition of its emancipation.'

more independent and alleviating his exploitation it serves rather to confiscate an increasingly large part of his labour-time as surplus labour, and so strengthens and perpetuates the hostile power of capital over him.

We shall not deal with a further effect of machinery – the development of the so-called industrial reserve army – until the next chapter. But we should refer here to the fact that 'however much the use of machinery may increase surplus labour at the expense of necessary labour by raising the productive power of labour, it is clear that it attains this result only by diminishing the number of workers employed by a given amount of capital. It converts a portion of capital which was formerly variable, i.e. had been turned into living labour, into machinery, i.e. into constant capital which does not produce surplus-value.[31] . . . Hence there is an immanent contradiction in the application of machinery to the production of surplus-value, since, of the two factors of the surplus-value created by a given amount of capital, one, the rate of surplus-value, cannot be increased except by diminishing the other, the number of workers.'[32] We shall see later how this contradiction is simultaneously resolved and deepened.

So much, then, on the role played by machinery in the valorisation process of capital. The development of machinery does of course present other aspects, if we look at it from the viewpoint of the pure labour process, and disregard its use under capitalism. The *Rough Draft* has the following to say on these other aspects: 'Nature builds no machines, no locomotives, railways, electric telegraphs, self-acting mules etc. These are products of human industry; natural material transformed into organs of the human will over nature, or of human participation in nature. They are organs of the human brain, created by the human hand; the power of knowledge objectified.' The development of machinery 'indicates to what degree general social knowledge has become a direct force of production, and to what degree, hence, the conditions of the process of social life itself have come under the control of the general intellect[33] and been transformed in

[31] The result of this is the law of the 'increasing organic composition of capital'; a law which was already stated by the classical economists, but which was first allotted its appropriate place in the system of political economy by Marx. (*Wages, Price and Profit*, *Selected Works*, pp.224-25.)

[32] *Capital* I, p.531 (407).

[33] Cf. Marx's distinction between 'universal' and 'co-operative' labour in Volume III of *Capital*. 'Both kinds play their role in the process of production, both flow one into the other, but both are also differentiated. Universal labour is all scientific labour, all discovery and all invention. This labour depends

accordance with it. To what degree the powers of social production have been produced, not only in the form of knowledge, but also as immediate organs of social practice, of the real life process.'[34] Not only does this signify that 'individual labour as such has altogether ceased to appear as productive, but rather, is so only in those common labours which subordinate the forces of nature to themselves.'[35] In addition, it signifies that the development of machinery as an automatic system taken to its logical extreme (one thinks today of all-embracing 'automation') radically alters the nature of the labour process by allotting to the worker the completely changed function of mere 'watchman and regulator'.[36] But the result of this is that the development of machinery – although leading under capitalism only to the oppression of workers – offers, in fact, the surest prospect for their future liberation, by facilitating that radical reduction of working time, without which the abolition of class society would remain mere words.[37] (We shall come back to this theme in more detail in Chapter 28.) On the other hand it is precisely the development of modern machinery which makes it a 'question of life or death for that monstrosity, the disposable working population held in reserve in misery for the changing requirements of capitalist exploitation to be replaced by the individuals who are absolutely available for the different kinds of labour required of them; the partially developed individual, who is merely the bearer of one specialised social function' (as the wage-labourer is today) 'must be replaced by the totally developed individual, for whom the different social functions are different modes of activity to be taken up in turn.'[38] Naturally each of these can only be realised in a communist society; but capital – against its will – presses forward in this direction! 'On the one side, then, it calls to life all the powers of science and of nature, as of social combination and of social intercourse in order to make the creation of wealth independent (relatively) of the labour-time employed on it.[39] On the other side,

partly on the co-operation of the living, and partly on the utilisation of the labours of those who have gone before.' By contrast, 'co-operative labour is the direct co-operation of individuals' (i.e. the communist organisation of society). (*Capital* III, p.104.)

[34] *Grundrisse*, p.706.

[35] *ibid.* p.700.

[36] *ibid.* p.705.

[37] Cf. Note 30 above.

[38] *Capital* I, p.618 (488).

[39] Marx says in this connection: 'To the degree that labour-time – the mere quantity of labour – is posited by capital as the sole determinant element, to that degree does direct labour and its quantity disappear as the determinant principle of production – of the creation of use-values – and is

it wants to use labour-time as the measuring rod for the giant social forces thereby created, and to confine them within the limits required to maintain the already created value as value. Forces of production and social relations – two different sides of the development of the social individual – appear to capital as mere means, and are merely means for it to produce on its limited foundation. In fact, however, they are the material conditions to blow this foundation sky-high.'[40] However, this is a question which goes far beyond the scope of this chapter, and which we will first deal with in more detail in the chapter on socialist society.

reduced both quantitatively, to a smaller proportion, and qualitatively, as an, of course, indispensable but subordinate moment, compared to general, scientific labour, technological application of natural sciences, on one side, and to the general productive force arising from social combination in total production on the other side – a combination which appears as a natural fruit of social labour (although it is a historic product). Capital thus works towards its own dissolution as the form dominating production.' (*Grundrisse*, p.700.)

[40] *ibid.* p.706.

18.

'Simultaneous Working Days'. The Capitalist Law of Population and the 'Industrial Reserve Army'

(Marx's critique of Malthus)

Until this point in the analysis Marx's primary concern was to investigate the nature of surplus-value, to develop it as the embodiment 'of the absolute or relative labour-time mobilised by capital over and above necessary labour-time.'[1] The number of workers employed by capital was irrelevant to the understanding of this process, since in every case surplus-value was gained either by prolonging the total labour-time of the worker or by reducing necessary labour-time, whether this applied to one hundred, ten or only one working day; in each case the degree of valorisation of capital or the rate of surplus-value simply depended on the division of the working day into necessary and surplus labour. It was possible, therefore, to disregard the number of workers exploited by capital, or, as this is called throughout the *Rough Draft*, the sum of 'simultaneous working days'.[2]

However, as already pointed out in the previous chapter, capital is from the outset a 'collective power', which is based on overcoming the individualisation of the worker, and concentrating many workers under one capitalist. 'There cannot be one capitalist for every worker, but rather there has to be a certain quantity of workers per capitalist, not like one or two journeymen per master.' For, 'if the capitalist employed only one worker in order to live from that one's surplus time, then he would obviously gain doubly if he himself also worked, with his own funds, for then he would gain, in addition to the surplus time, the wage paid the worker.'[3] By restricting himself to one worker he would rather 'lose in the process . . . or the worker would only be his helper, and thus he would not stand in relation to him as capital'. Therefore in order for 'capital to exist as capital', in order that the

[1] *Grundrisse*, p.385.

[2] We encounter the same terminology almost throughout Marx's *Theories of Surplus-Value*.

[3] Marx assumes here that the worker works half the day for himself, and half for the capitalist.

capitalist 'can both live from profit as well as accumulate' he must be able 'to set a certain quantity of living labour capacities to work simultaneously . . . his profit must be equal to the sum of the surplus time of many simultaneous living work days'.[4]

How does the number of workers employed by capital affect the valorisation of capital, the production of surplus-value?

We must first of all distinguish between the rate and the mass of surplus-value. For the first, as we have said, the number of workers employed is completely irrelevant. The capital may employ 5 or 50 workers; if the workers all work for the same length of time and if the relation between paid and unpaid labour is the same, then each of the 50 workers will produce just as much surplus-value as each of the 5. However, what will differ is the total mass of the surplus-value produced in each of the two cases – the scale on which capital can valorise itself at one time. In order to determine this mass, one must not only know – as with a single working day – the rate of surplus-value and the length of the working day, but also how often the working day is repeated spatially, that is the number of simultaneously employed workers. Both of the last two factors can nevertheless be summarised in the concept of 'aggregate labour',[5] in which the distinction between several working days and one working day would disappear in relation to the determination of the surplus-value produced. In the same way the labour set in motion by the aggregate capital of a society can also be thought of as one working day (thus for example the aggregate labour of 6 million workers who on average work 8 hours daily, as 1 working day of 48 million hours). If this 'social working day' represents a fixed magnitude, then surplus-value can clearly only 'be increased relatively, by means of a greater productive power of labour'; however, this is given 'only absolutely . . . through transformation of a greater part of the population into workers, and increase of the number of simultaneous working days'.[6] Therefore the growth of the working population appears here as the 'mathematical limit to the production of surplus-value by the total social capital'.[7]

So much on the ways in which the number of labour-powers employed affects the valorisation of capital, the mass of surplus-value which it produces. However, this is by no means the only aspect offered by the study of 'simultaneous working days'.

[4] *Grundrisse*, pp.585, 588.

[5] 'Aggregate labour, i.e. the working day multiplied by the number of simultaneous working days . . .' (*Grundrisse* p.830.)

[6] *ibid.* p.774. (Cf. *Capital* III, pp.243-44.)

[7] *Capital* I, p.422 (307).

The method of production based on capital is only possible because capital can continually appropriate surplus labour. However, surplus labour 'exists only in relation with necessary, hence only insofar as the latter exists. Capital must therefore constantly posit necessary labour, in order to posit surplus labour . . . but at the same time it must suspend it as necessary in order to posit it as surplus labour . .).' It is its tendency, therefore, to create as much labour as possible, just as it is equally its tendency to reduce necessary labour to a minimum. Marx says: 'As long as we regard the single working day, the process is naturally simple: (1) to lengthen it up to the limits of natural possibility (2) to shorten the necessary part of it more and more (i.e. to increase the productive forces without limit).' However, the matter is different if the question is not part of one working day, but of 'many working days alongside one another'. The tendencies which have been mentioned appear here in modified form.

On the one hand it is inherent in the nature of capital to strive for limitless valorisation (it creates only 'a specific surplus-value because it cannot create an infinite one all at once; but it is the constant movement to create more of the same'[8]). However, the living work day, which constitutes the source of its valorisation, is always limited – whether this be a question of a natural limit, or a legal one drawn by society. Consequently if its duration cannot be prolonged, and if the development of the technique of production does not permit any increase in relative surplus labour, then capital can leap over the limit of the working day 'only by positing *another* working day *alongside* the first at the same time – by the spatial addition of more simultaneous working days. E.g. I can drive the surplus labour of A no higher than 3 hours; but if I add the days of B, C, D etc. then it becomes 12 hours. In place of a surplus time of 3, I have created one of 12.'[9] Thus within definite limits the prolongation of the working day can be replaced by increasing the number of workers, and the mass of absolute surplus-value can be increased, despite a constant rate of surplus-value.[10] This therefore explains capital's striving to

[8] *Grundrisse*, p.334.

[9] *ibid.* p.400.

[10] The proposition 'that . . . if the rate of surplus-value is given, the amount of surplus-value depends on the number of workers simultaneously employed by the same capital' appears to be a tautological statement, says Marx elsewhere. 'For if 1 working day gives me 2 surplus hours, then 12 working days give me 24 surplus hours or 2 surplus days. The statement, however, becomes very important in connection with the determination of profit, which is equal to the proportion of surplus-value to the capital advanced, thus depending on the absolute amount of surplus-value . . . If one merely considers the simple law of surplus-value, then it seems tautological to say that with a given rate of surplus-value and a given length of the working day, the absolute amount of surplus-value depends on the amount of capital employed. For an increase in this amount of capital and an increase in the number of workers simultaneously employed are, on the assumption made, identical, or merely different expressions of the same fact. But when one turns to an examination of profit, where the amount of the total capital employed and the number of workers employed vary greatly for capitals of equal size, then the importance of the law becomes clear.' (*Theories* II, p.410.)

employ as many workers as possible; it is in order to be able to squeeze surplus labour from as many as possible.

On the other hand, however, the drive for relative surplus-value compels capital 'to posit as many workers as possible as not necessary, and just as in the case . . . of the single working day it was a tendency of capital to reduce the necessary working hours, so now the necessary working days are reduced in relation to the total amount of objectified labour-time. If 6 are necessary to produce 12 superfluous working hours, then capital works towards the reduction of these 6 to 4. Or 6 working days can be regarded as one working day of 72 hours; if necessary labour-time is reduced by 24 hours, then two days of necessary labour fall away – i.e. 2 workers.'[11] 'The . . . law of an increase in the number of hours of surplus labour', by means of a reduction in necessary labour 'thus now obtains the form of a reduction in the number of necessary workers'.[12] (However, here the decrease in the number of workers indicates the growth in relative surplus-value, whereas in the previous case their increase expressed itself in the growth of absolute surplus-value).

Capital strives to link 'absolute with relative surplus-value'. What it therefore seeks is the 'greatest stretching of the working day with greatest number of simultaneous working days, together with reduction of necessary labour-time to a minimum, on one side, and of the number of necessary workers to the minimum on the other'.[13] The first process signifies an increase of the working population, the second its relative decrease, although it can remain the same in absolute terms or even grow. 'Both tendencies necessary tendencies of capital. The unity of these contradictory tendencies, hence the

[11] *Grundrisse*, p.400. Since the remaining 4 workers together provide a further 12 hours of surplus labour, each of them now has to perform not 2, but three hours of surplus labour. Thus relative surplus labour has grown; previously its relation to necessary labour was 2 : 10 : now it is 3 : 9. However if it were possible for the same capital to employ all 6 workers at the new rate 'then the surplus-value would not only have increased relatively, but also absolutely'. (*ibid.*)

[12] *ibid.* p.768.

[13] *ibid.* p.770.

living contradiction'[14] is given 'only with machinery',[15] which reduces necessary labour only in order to expand surplus labour, and which consequently turns out to be the most potent means for the production of both relative and absolute surplus-value. (And it is precisely for this reason that the capitalist use of machinery – as already pointed out – has to be elaborated and understood primarily from the relation of capital to living labour i.e. from its striving for the appropriation of surplus-value, and not from competition.)[16]

It can be seen that: 'If labour time is regarded not as the working day of the individual worker, but as the indefinite working day of an indefinite number of workers, then all relations of population' enter into the investigation; 'all the contradictions which modern population theory expresses as such, but does not grasp' emerge from the basic forms of surplus-value.[17] It then appears that the two-sided law of capital 'to link up the greatest absolute mass of necessary labour with the greatest relative mass of surplus labour' corresponds to an equally two-sided law, on the one hand to transform the largest possible part of the population into a working population, and on the other 'to constantly posit a part of it as surplus population – population which is useless until such time as capital can utilise it'.[18]

[14] Cf. Hegel's *Science of Logic*, Volume II, pp.68-69. 'But it has been a fundamental prejudice of hitherto existing logic and of ordinary imagination that Contradiction is a determination having less essence and immanence than Identity; but indeed, if there were any question of rank, and the two determinations had to be fixed as separate, Contradiction would have to be taken as the profounder and more essential. For as opposed to it Identity is only the determination of the simple immediate, or of dead Being, while Contradiction is the root of all movement and life, and it is only insofar as it contains a Contradiction that anything moves and has impulse and activity . . . Something therefore only has life insofar as it contains Contradiction, and is that force which can both comprehend and endure Contradiction.'

[15] *Grundrisse*, p.775.

[16] Cf. note 28 on p.241 above.

[17] *Grundrisse*, pp.539-40, 401.

[18] *ibid.* p.399. 'There are two tendencies which constantly cut across one another; [firstly] to employ as little labour as possible, in order to produce the same or a greater quantity of commodities, in order to produce the same or a greater net produce, surplus-value, net revenue; secondly, to employ the largest possible number of workers (although as few as possible in proportion to the quantity of commodities produced by them), because – at a given level of productivity – the mass of surplus-value and of surplus-product grows with the amount of labour employed. The one tendency throws the workers on to the streets and makes a part of the population redundant, the other absorbs them again and extends wage-labour absolutely, so that the lot of the worker is always fluctuating but he never escapes from it.' (*Theories* II, p.573.)

We thus come to the question of the so-called industrial reserve army,[19] which Marx derived directly from the concept of relative surplus-value in the *Rough Draft* (in contrast to *Capital*), without having first described the effect of machinery and capital accumulation on the development of the working population. (See pages 608-10 of the *Grundrisse*.) However, since this part of his exposition – apart from the point just mentioned – offers little that is new in comparison to the later work, we can easily omit it. We merely indicate here the way in which Marx conceived of the industrial reserve army as a result of the dialectical process of the simultaneous positing and abolition of necessary labour by capital;[20] and the fact that the *Rough Draft* equates the reserve army with the 'sphere of pauperism', whereas according to *Capital* this sphere, populated by impoverished and lumpen proletarian elements, simply forms the 'deepest sediment of relative overpopulation'.

By contrast, the preceding section of the *Grundrisse* (pages 604-08) appears of special interest. This deals with the law of population under capitalism as distinct from earlier stages of production, and contains the only detailed critique of Malthus's theory of population from Marx's pen which is known to us.[21]

This runs as follows: 'In different modes of social production there are different laws of the increase of population and of overpopulation'[22] which – since this is a matter of 'the History of the Nature of Humanity' – 'are *natural* laws, but natural laws of humanity only at a specific historic development, with a development of the

[19] In fact this expression is not used in the *Grundrisse*, although in two places (pp.400 and 610) Marx characterises the 'surplus population' of workers in contrast to the 'necessary population' as 'reserve' and as 'reserve for later use'. We should however remember that the expression 'industrial reserve army' had already been coined by Engels in 1845. (See his *Condition of the Working Class in England*, Moscow: Progress Publishers 1973.)

[20] 'Capital, as the positing of surplus labour, is equally and in the same moment the positing and the not-positing of necessary labour; it exists only insofar as necessary labour both exists and does not exist.' (*Grundrisse*, p.401.)

[21] Cf. the analogous (but less profound) critique of this theory in Sismondi's *Nouveaux Principes*, II, 1819, pp.266-78.

[22] Cf. the frequently quoted passage from Volume I of *Capital*: 'The working population therefore produces both the accumulation of capital and the means by which it is itself made relatively superfluous . . . and it does this to an always increasing extent. This is a law of population peculiar to the capitalist mode of production; and in fact every particular historical mode of production has its own special laws of population, which are historically valid within that particular sphere. An abstract law of population exists only for plants and animals and even then only in the absence of any historical intervention by man'. (*Capital* I, pp.783-84 (631-32).)

forces of production determined by humanity's own process of history . . . These different laws can simply be reduced to the different modes of relating to the conditions of production or, in respect to the living individual, the conditions of his reproduction as a member of society, since he labours and appropriates only in society. The dissolution of these relations in regard to the single individual, or to part of the population, places them outside the reproductive conditions of this specific basis, and hence posits them as overpopulation'. However, it is 'only in the mode of production based on capital' that overpopulation 'appears as the result of labour itself, of the development of the productive power of labour'. Consequently, nothing is more false than to lump together the different historical laws of population increase, as the followers of Malthus do! For 'overpopulation at one level of social production can be different from what it is at another, and its effect can be different'. Thus for example 'overpopulation among hunting peoples was different from that among the Athenians, in turn different among the latter from that among the Germanic tribes . . . An overpopulation of free Athenians who become transformed into colonists is significantly different from an overpopulation of workers who become transformed into workhouse inmates. Similarly the begging overpopulation which consumes the surplus-product of a monastery is different from that which forms in a factory . . .'

Marx says further, that since in all pre-capitalist social formations '...the development of the forces of production is not the basis of appropriation, but a specific relation to the conditions of production (forms of property) appears as a *presupposed barrier*, to the forces of production,[23] and is merely to be reproduced, it follows that the development of population, in which the development of all productive forces is summarised,[24] must even more strongly encounter

[23] It is exactly this notion, according to which, in all social formations 'where landed property and agriculture constitute the basis of the economic order', the working individual 'has an objective existence in property in the land which presupposes his activity, and does not appear merely as its result', which Marx takes as the basis of his detailed description of the 'epochs in the economic formation of society', which is to be found in the *Grundrisse*, pp.471-514.

[24] Marx stresses the importance of population as the 'source of wealth' in other sections of the *Rough Draft*. For example, on p.608: 'If we further examine the conditions of the development of the productive forces as well as of exchange, division of labour, co-operation, all-sided observation, which can only proceed from many heads, science, as many centres of exchange as possible – all of it identical with growth of population.'

an *external barrier* and thus appear as something to be restricted.' That is, in order for such a society 'to exist in the old mode requires the reproduction of its members in the presupposed objective conditions', but this is only 'reconcilable with a specific amount of population'. At all levels of society however, 'overpopulation posited on the basis of a specific population "appears" just as determinate as the adequate population. Overpopulation and population taken together are *the* population which a specific production basis can create. The extent to which it goes beyond its barrier is given by the barrier itself, or rather by the same base which posits the barrier. Just as necessary labour and surplus labour together [are] the whole of labour on a given base.'[25]

Thus Malthus is certainly not to be reproached for 'asserting the fact of overpopulation in all forms of society'. (Although 'he has not proved it, for there is nothing more uncritical than his motley compilations from historians' and travellers' descriptions.') The chief defect in his 'Doctrine of Population' is that he 'regards overpopulation as being of the same kind in all the different historical phases of economic development'; that he 'does not understand their specific difference, and hence stupidly reduces these very complicated and varying relations to a single relation, two equations, in which the natural reproduction of humanity appears on the one side, and the natural reproduction of edible plants (or means of subsistence) on the other, as two natural series, the former geometric and the latter arithmetic in progression. In this way he transforms the historically distinct relations into an abstract numerical relation, which he has fished purely out of thin air, and which rests neither on natural nor on historical laws.'[26]

Marx continues that according to Malthus there should be 'a natural difference between the reproduction of mankind and e.g. grain. This baboon thereby implies that the *increase of humanity* is a purely natural process which requires *external restraints*, checks, to prevent it from proceeding in geometric progression. This *geometric reproduction* is the natural reproduction process of mankind.' In fact in actual history one finds that 'population proceeds in very different relations and that overpopulation is likewise a historically determined relation, in no way determined by abstract number or by the absolute limit of the productivity of the necessaries of life, but by

[25] *ibid.* pp.604-07, 486.

[26] *Grundrisse*, pp.605-06. Cf. *Theories* II, p.115, where Marx calls Malthus's 'nonsense about geometrical and arithmetical progression, borrowed from earlier writers' a 'purely imaginary hypothesis'.

limits *posited rather by specific conditions of production.*' However, Malthus simply brushes aside these specific historical laws of the movement of population. 'Malthusian man, abstracted from historically determined man, exists only in his brain; hence also the geometric method of reproduction corresponding to this natural Malthusian man. Real history thus appears to him in such a way that the reproduction of his natural humanity is not an abstraction from the historic process of real reproduction, but just the contrary, that real reproduction is an application of the Malthusian theory. Hence the inherent conditions of population as well as of overpopulation at every stage of history appear to him as a series of external checks which have *prevented* the population from developing in the Malthusian form.' On the other hand, 'the production of the necessaries of life – as it is checked, determined by human action – appears' to Malthus 'as a check which it posits to itself. The ferns would cover the entire earth. Their reproduction would stop only where space for them ceased. They would obey no arithmetic proportion. It is hard to say where Malthus has discovered that the reproduction of voluntary natural products would stop for intrinsic reasons, without external checks. He transforms the immanent, historically changing limits of the human reproduction process into outer barriers; and the *outer barriers* to natural reproduction into *immanent limits* or *natural laws* of reproduction.'[27]

Secondly, Malthus foolishly relates 'a specific quantity of people to a specific quantity of necessaries.' Ricardo already 'correctly confronted him with the fact that the quantity of grain available is completely irrelevant to the worker if he has no *employment*; that it is therefore the means of employment and not of subsistence which put him into the category of surplus population'.[28] Marx says further that Ricardo's objection 'should be conceived more generally', since this 'relates to the social mediation as such', 'through which the individual gains access to the means of his reproduction and creates them;

[27] *Grundrisse*, pp.606-07. 'In his splendid work', (*On the Origin of the Species*), 'Darwin did not realise that by discovering the "geometrical" progression in the animal and plant kingdom he overthrew Malthus's theory. Malthus's theory is based on the fact that he set the geometrical progression of man against the chimerical "arithmetical" progression of animals and plants. In Darwin's work we also find (quite apart from his fundamental principle) the detailed refutation, based on natural history, of the Malthusian theory.' (*Theories* II, p.121.)

[28] Cf. Engels's letter to F.A.Lange of 29 March 1865, *Selected Correspondence*, p.160.

hence it relates to the *conditions of production* and his relation to them. There was no barrier to the reproduction of the Athenian slave other than the producible necessaries. And we never hear that there were *surplus slaves* in antiquity. The call for them increased rather. There was however a surplus population of non-workers (in the immediate sense), who were not too many in relation to the necessaries available, but had lost the conditions under which they could appropriate them.' (Marx adds: 'The invention of surplus workers i.e. of propertyless people who work, belongs to the period of capital.') The surplus population of the feudal period can be just as little deduced from some relation between the number of people and quantity of necessaries: 'The beggars who fastened themselves to the monasteries and helped them eat up their surplus-product are in the same class as the feudal retainers, and this shows that the surplus produce could not be eaten up by the small number of its owners.' And finally 'the overpopulation e.g. among hunting peoples, which shows itself in the warfare between the tribes proves not that the earth could not support their small numbers, but rather that the condition of their reproduction required a great amount of territory for few people.' Thus 'never a relation to a *non-existent* absolute mass of means of subsistence, but rather relation to the conditions of reproduction . . . including likewise the *conditions of reproduction of human beings*, of the total population, of relative surplus population. This surplus purely relative; in no way related to the means of subsistence as such, but rather to the mode of producing them. Hence also only a surplus at this stage of development.'[29]

So much then on Malthus's actual doctrine of population, which Marx elsewhere called a 'lampoon on the Human Race'.[30] In fact Malthus later tried to give this doctrine a direct economic foundation, by basing it on the so-called law of the 'declining yield of the soil'. However Marx does not go into this point in his critique of Malthus's theory of population, since he only intended to take it into consideration in the discussion of Ricardo's theory of rent.[31] Consequently he confines himself in the *Rough Draft* to remarking that the said law is merely to be traced back to the fact that 'in the stage of industry familiar to Ricardo etc. agriculture remained behind

[29] *Grundrisse*, pp.607-08.

[30] In a letter to J.B.Schweitzer of 24 January 1865, *Selected Correspondence*, p.143.

[31] 'What is not actually proper to Malthus at all, the introduction of the theory of rent . . . does not belong here.' (*Grundrisse*, p.608.)

industry, which [is] incidentally inherent in bourgeois production although in varying relations'.[32]

Thus the end result of the simple law of surplus-value is the tendency of capital not only to 'drive human labour towards infinity', but also to make it 'relatively superfluous'.[33] In conceptual terms, then, the theory of surplus population and the industrial reserve army is also contained in the theory of surplus-value. How the existence of overpopulation is connected to the formation of surplus capital, and with capital accumulation, will be shown later.

[32] *ibid.* The fact that the 'relatively larger unproductiveness of agriculture' simply represented an historical state of affairs, i.e. can disappear even under capitalism, was pointed out by Marx in the *Theories.* (*Theories* II, pp.105-07, 244. Cf. in addition *Grundrisse*, p.669.)

[33] *Grundrisse*, p.399.

19.
The Reproduction Process and the Inversion of the Law of Appropriation[1]

In the preceding analysis capital has only been regarded in the process of its formation, of its becoming, but not in the continuous flow of its renewal and reproduction. However, as Marx says, this mere repetition, the sheer continuity of the capitalist production process, 'imposes on the process certain new characteristics, or rather, causes the disappearance of some apparent characteristics possessed by the process in isolation'.[2] Thus 'at the first occurrence of capital' its presuppositions appear to be 'external presuppositions; . . . hence not emergent from its inner essence and not explained by it'. It is therefore necessary to grasp the process of the formation of capital in the context of the reproduction process so that these presuppositions 'appear as moments of the motion of capital itself, so that it has itself – regardless how they may arise historically – pre-posited them as its own moments'.[3]

In other words: From the point of view of the analysis up until now it could be, and had to be, assumed 'that the capitalist, once upon a time, became possessed of money by some form of primitive accumulation that took place independently of the unpaid labour of other people' before he could frequent the market as a buyer of labour-power and means of production: that consequently the appropriation of alien labour by the capitalist presupposed the exchange of commodities which are his property and which are thrown into circulation by him – 'of values which do not arise from his exchange

[1] This is a summation of two paragraphs from the *Grundrisse* (pp.450-58) which correspond to Chapter 23 and Section I of Chapter 24 of *Capital* Volume I, and which should be regarded as their first draft. The main difference between the two versions (disregarding the much more brilliant method of representation in the later work), is that in *Capital* the question is first examined from the standpoint of 'simple' and then from 'extended' reproduction, whereas only the latter method of observation is to be found in the *Rough Draft.*

[2] *Capital* I, p.712 (567).

[3] *Grundrisse*, p.450.

with living labour, or not from his relation as *capital* to *labour*'.[4] This is the 'primitive accumulation', which the bourgeois economists favour so much in order to bring the fact that the valorisation of capital consists in the appropriation of unpaid labour 'into harmony with the general laws of property, as they are proclaimed by capitalist society itself'. Regardless of how matters may stand today, they say, the capitalists originally 'worked for' their capital; and so nothing is more natural than that they should receive a reward for their 'productive services'.

But there are numerous difficulties in this argument. In the first place we are only too well acquainted with the role played by robbery, cheating, enslavement – in brief, force – in the actual historical development of capital.[5] These bear no relation to the peaceful accumulation of what has been 'worked for'. (If capitalism had confined itself merely to these peaceful methods it would never have progressed beyond its infancy.) And secondly, the bourgeois economists are guilty of a confusion here in that they pronounce the conditions of the becoming of capital 'as the conditions of its contemporary realisation i.e. presenting the moments in which the capitalist still appropriates as the non-capitalist – because he is still becoming – as the very conditions in which he appropriates as capitalist'. They forget that the accumulation of capital which precedes labour and which does not spring from it belongs to those conditions which 'lie behind it as historical preludes, just as the processes by means of which the earth made the transition from a liquid sea of fire and vapour to its present form now lie beyond its life as finished earth'. Admittedly 'individual capitals can continue to arise e.g. by means of hoarding. But the hoard is transformed into capital only by means of the exploitation of labour.'[6] These apologetic attempts to derive the 'eternal right of capital to the fruits of alien labour' from the '*property by labour*' and from the 'simple and "just" laws of the exchange of equivalents' should, as Marx says in *Capital*, be banished to the realm of 'children's primers'. We can see how correct this is as soon as we direct our attention to the process of the reproduction of capital instead of one isolated process of production.

We saw that the outcome of the original process of production was the surplus labour appropriated by the capitalist: this initially exists in the form of a surplus-product and must then be transformed into money. Marx first examines the conditions of the realisation of

[4] *Capital* I, p.714 (569) and *Grundrisse*, p.456.
[5] *Grundrisse*, p.460 and *Capital* I, p.874 (714).
[6] *Grundrisse*, p.460.

the surplus-product, and of realisation in general, in the following section of the work which deals with the circulation process of capital. We therefore have to assume here that the capitalist succeeds in putting his commodity up for sale and selling it at its value. Through this, the surplus-value is also realised and transformed into the form of money. But this money 'is now already capital *in itself* and as such *a claim on new labour*'.[7] This new capital (which Marx calls 'surplus capital' or 'additional capital' in distinction to the original type whose fruit it is) must also naturally be valorised, and thus go through the process of production.

But the preconditions of the second process are vastly different from those of the first!

Surplus capital is above all nothing but capitalised surplus-value. 'There is not one single atom of its value that does not owe its existence to unpaid labour.'[8] As a consequence the particular forms which it must assume in order to valorise itself anew, namely those of constant and variable capital, are simply forms of surplus labour itself. Previously, insofar as the original act of production was considered, it appeared as 'an act of capital', that the material conditions of production – raw material, instrument and the means of subsistence for the workers – were 'on hand in the amounts which made it possible for living labour to realise itself not only as necessary, but also as surplus labour'.[9] But now 'it no longer seems, as it still did in the first examination of the production process, as if capital, for its part, brought with it any value whatsoever from circulation . . . All moments which confronted living labour capacity and employed it as alien, external powers, and which consumed it under certain conditions independent of itself, are now posited as its own product and result.'[10]

But not just that. The absolute separation between property and labour, which is inherent in the capital-relation,[11] but only represented a historical precondition of it from the previous standpoint, 'now also appears as the product of labour itself, as objectification, materialisation of its own moments'. Up until now it could be assumed that capital became a power ruling over labour, precisely by means of the 'primitive accumulation' of its owners. However, this illusion disappears as soon as we look at the circuit of surplus capital,

[7] *ibid.* p.367.
[8] *Capital* I, p.728 (582).
[9] *Grundrisse*, p.452. (Naturally the portion of surplus-value consumed by the capitalists is disregarded here.)
[10] *ibid.* pp.453, 451.
[11] Cf. pp.200-01 above.

i.e. the process of reproduction. It now becomes clear that it is a result of the action of labour-capacity itself, that the material conditions for production which have been created by it confront it as capital and that the realisation process of labour is simultaneously its de-realisation process.[12] For, by its entry into the production process, labour-capacity 'has not only produced the conditions of necessary labour as conditions belonging to capital; but also the value-creating possibility, the valorisation which lies as possibility within it, now likewise exists as surplus-value, surplus-product, in a word as capital . . . The worker has produced not only the alien wealth and his own poverty, but also the relation of this wealth . . . to himself as this poverty', thus the capital-relation itself.[13] And 'this social relation, production relation, appears in fact as an even more important result of the process than its material results'.[14]

The result of the previous inquiry was that we have above all to distinguish between the conditions of capital in its becoming, and those of capital as it has become, as 'finished capital'.[15] Once capital has developed historically it goes on to produce the conditions of its existence – 'not as conditions of its arising, but as results of its presence . . . It no longer proceeds from presuppositions in order to

[12] As an example of the unique mode of presentation of the *Rough Draft* and its often apparently abstruse 'Hegelian' terminology, we quote here the entire passage from which this sentence was taken. 'Living labour therefore now appears from its own standpoint as acting within the production process in such a way that, as it realises itself in the objective conditions, it simultaneously repulses this realisation from itself as an alien reality, and hence posits itself as insubstantial, as mere penurious labour-capacity in face of this reality alienated from it, belonging not to it but to others; that it posits its own reality not as a being for it, but merely as a being for others, and hence also as mere other-being, or being of another opposite itself. This realisation process is at the same time the de-realisation process of labour. It posits itself objectively, but it posits this, its objectivity, as its own not-being or as the being of its not-being – of capital. It returns back into itself as the mere possibility of value-creation or valorisation; because the whole of real wealth, the world of real value and likewise the real conditions of its own realisation are posited opposite it as independent existences.' (*ibid.* p.454.)

[13] Cf. *Capital* I, p.724 (578): 'The capitalist process of production, therefore, seen as a total, connected process, i.e. a process of reproduction, produces not only commodities, not only surplus-value, but it also produces and reproduces the capital-relation itself; on the one hand the capitalist, on the other the wage-labourer.'

[14] *Grundrisse*, pp.453, 458. Cf. *ibid.* p.512. 'The production of capitalists and wage-labourers is thus a chief product of capital's valorisation process. Ordinary economics, which looks only at the things produced, forgets this completely.'

[15] See note 129 on p.44 above.

become, but rather it is itself presupposed, and proceeds from itself to create the conditions of its maintenance and growth.'[16]

In fact, Marx repeats, 'For the formation of surplus capital I, if we give that name to the surplus capital emerging from the original production process . . . it appears as a condition that the capitalist should possess values, of which he formally exchanges one part for living labour-capacity' ('We say formally, because living labour must replace and return to him these exchanged values as well') – 'But let us now think', Marx continues, 'of this surplus capital as having been thrown back into the production process, as realising its surplus-value anew in exchange and as appearing anew as surplus capital at the beginning of the third production process. This surplus capital II has different presuppositions from surplus capital I. The presupposition of surplus capital I was the existence of values belonging to the capitalist and thrown by him into circulation. The presupposition of surplus capital II is nothing more than the existence of surplus capital I; i.e. in other words, the presupposition that the capitalist has already appropriated alien labour without exchange. This puts him into a position where he is able to begin the process again and again . . . *The previous appropriation of alien labour now appears as the simple precondition for the new appropriation of alien labour* . . . The fact that he [i.e. the capitalist] has previously confronted living labour as capital appears as the only condition required in order that he may not only maintain himself as capital, but also, as a growing capital, increasingly appropriate alien labour without equivalent; or that he may extend his power, his existence as capital opposite living labour-capacity,[17] and on the other side constantly

[16] *Grundrisse*, p.460. On p.278, *ibid.*, we read: 'It must be kept in mind that new forces of production and relations of production do not develop out of nothing, nor drop from the sky, nor from the womb of the self-positing Idea; but from within and in antithesis to the existing development of production and the inherited, traditional relations of property. While in the completed bourgeois system every economic relation presupposes every other in its bourgeois economic form, and everything posited is thus also a presupposition, this is the case with every organic system. This organic system itself, as a totality, has its presuppositions, and its development to its totality consists precisely in subordinating all elements of society to itself, or in creating out of it the organs which it still lacks. This is historically how it becomes a totality. The process of becoming this totality forms a moment of its process, of its development.'

[17] 'Thus the production by labour of this surplus capital . . . is at the same time the creation of the real necessity of new surplus labour and of new surplus capital. It here becomes evident that labour itself progressively extends and gives an ever wider and fuller existence to the objective world of wealth

posit living labour-capacity anew in its subjective, insubstantial penury as living labour-capacity.'[18]

We now come to a passage in the *Rough Draft* which was incorporated into Volume I of *Capital* with only slight alterations.[19] It runs: 'Insofar as surplus capital I was created by means of a simple exchange between objectified labour and living labour-capacity – an exchange entirely based on the laws of the exchange of equivalents as measured by the quantity of labour or labour-time contained in them – and *insofar* as the legal expression of this exchange presupposed nothing other than everyone's right of property over his own products, and of free disposition over them[20] – but insofar as the relation of surplus capital II to I is therefore a consequence of this first relation – we see that by a peculiar logic, the right of property undergoes a dialectical inversion, so that on the side of capital it becomes the right to an alien product, or the right of property over alien labour, the right to appropriate alien labour without an equivalent . . . The right of property is inverted to become on the one side, the right to appropriate alien labour, and, on the other side, the duty of respecting the product of one's own labour, and one's own labour itself, as values belonging to others. The exchange of equivalents, however, which appeared as the original operation, an operation to which the right of property gave legal expression, has become turned round in such a way that the exchange by one side is now only illusory, since the part of capital which is exchanged for living labour-capacity, firstly is itself *alien labour*, appropriated without equivalent, and, secondly, *has to be replaced with a surplus by living labour-capacity*, is thus in fact not consigned away, but merely changed from one form into another. The relation of exchange has thus dropped away entirely, or is a *mere semblance*. Furthermore, the right of property originally appeared to be based on one's own labour.[21] Property now appears as the right to alien labour, and as the impossibility of

as power alien to labour, so that, relative to the values created . . . the penurious subjectivity of living labour-capacity forms an ever more glaring contrast.' (*ibid.* p.455.)

[18] *ibid.* pp.456-57.

[19] See *Capital* I, pp.728-30 (583-84).

[20] In *Capital*: 'presupposes nothing beyond the worker's power to dispose freely of his own capacities, and the money owner or commodity owner's power to dispose freely of the values that belong to him.'

[21] In *Capital* this sentence follows: 'Some such assumption was at least necessary, since only commodity owners with equal rights confronted each other, and the sole means of appropriating the commodities of others was the alienation of a man's own commodities, commodities which, however, could only be produced by labour.'

labour's appropriating its own product. The complete separation between property, and even more so, wealth, and labour, now appears as a consequence of the law which began with their identity.'[22]

The special importance of these sentences is immediately obvious. They mark a point where the fundamental difference between Marx's conception of capital and that of his predecessors emerges most clearly. Naturally, it had been perceived, and stated,[23] before Marx that the transition to the capitalist mode of production corresponded to an inversion in the law of appropriation. But Marx was the first to explain the nature of this inversion and demonstrate its necessity, since the whole problem in understanding capital and its forms consists in discovering how the form of appropriation of labour without equivalent, which characterises capitalism, 'arises from the law of commodity exchange – out of the fact that commodities exchange for one another in proportion to the amount of labour-time embodied in them', and thus 'to start with does not contradict this law'.[24] However, this difficulty could not be resolved as long as the economists thought in terms of the direct exchange of the worker's labour with the capitalist, rather than the exchange of his value-creating capacity, labour-power. The reason why is as follows. As with the exchange of all commodities, that of labour-power is also governed by the cost of its reproduction; that is, by the quantity of labour-time objectified in it – since 'the value as such . . . is always effect, never cause'. 'Hence the exchange which proceeds between capitalist and worker thus corresponds completely to the laws of exchange', in that it is a question of the exchange-value of the commodity which is purchased by the capitalist. 'But the use-value of the value the capitalist has acquired through exchange is itself the element of valorisation and its measure, living labour and labour-time, and, specifically, more labour-time than the reproduction of the living worker costs. Hence, by virtue of having acquired labour-capacity in exchange as an equivalent, capital has acquired labour-time – to the extent that it exceeds the labour-time contained in labour-capacity – in exchange without equivalent; it has appropriated alien labour-time without exchange by means of the *form* of exchange. This is why exchange becomes merely formal . . . and in the further development of capital even the semblance is suspended that capital exchanges for labour-capacity anything other than its

[22] *Grundrisse*, pp.457-58.

[23] By Smith (Cf. *Theories* I, pp.86-87); by Sismondi and Cherbuliez (see *Capital* I, footnote 6 on p.730 (note 1 on p.584) and *Theories* III, pp.377-78). Cf. Marx's critique of Ricardo, *Theories* II, pp.399-407.

[24] *Theories* III, pp.481-82.

[labour-capacity's] own objectified labour; i.e. that it exchanges anything at all for it . . . Thus the exchange turns into its opposite, and the laws of private property – liberty, equality, property (property in one's own labour, and free disposition over it) – turn into the worker's propertylessness, and the dispossession of his labour (i.e.) the fact that he relates to it as alien property, and vice versa.'[25]

This then is the solution to the problem, the solution which Rosa Luxemburg correctly characterised as a 'triumph of historical dialectics'.[26] The unique character of the commodity labour-power, which as value simply represents its cost of production, but which as use-value is itself the source of the creation of new value, makes it possible for the exchange between the worker and the capitalist to simultaneously correspond to, yet contradict, the laws of commodity exchange; that this, the most important of all the acts of exchange, amounts in fact to the appropriation of alien labour, without exchange, although 'under the semblance of exchange'. It is clear, however, as Marx emphasised, that this semblance is a 'necessary semblance', insofar as capitalist production itself is the production of commodities and therefore presupposes the laws of commodity exchange.

It is of course true that this inversion of the law of appropriation only becomes visible 'if we consider capitalist production in the uninterrupted flow of its renewal, and if, in place of the individual capitalist and the individual worker, we view them in their totality, as the capitalist class and the working class confronting each other'.[27] For, looked at in isolation, the transaction between the capitalist and the worker must appear as completely 'just', that is corresponding to the general laws of commodity exchange, and there would be no reason to suppose that it should turn round into its opposite. But if that is the case then all one can see is a falsification or injury to the 'original' right, which was based on the strict equality between the owners of commodities and which did not seem to allow any room for the one-sided appropriation of the products of alien labour, for the exploitation of one of the producers by the other.

This is the sense in which capital's mode of appropriation is criticised by petit-bourgeois socialists (Proudhon, for example[28]), and

[25] *Grundrisse*, pp.673-74.
[26] *Accumulation of Capital*, p.265.
[27] *Capital* I, p.732 (586).
[28] 'We may well, therefore, feel astonished at the cleverness of Proudhon, who would abolish capitalist property – by enforcing the eternal laws of property which are themselves based on commodity production.' (*Capital* I, p.734 (587).)

the political economists who followed Sismondi. Thus Cherbuliez stresses that if the capitalist appropriates the product of the worker's labour this 'is an inescapable consequence of the law of appropriation' whose 'fundamental principle' consists, inversely, in that the producer has 'an exclusive right to the value resulting from his labour'.[29] Marx answers that such a 'right' is a 'pure fiction', a mere reflex of processes of modern commodity circulation looked at in isolation. 'Commodities are exchanged with one another according to their value, that is, according to the labour embodied in them. Individuals confront one another only as commodity owners and can therefore only acquire other individual's commodities by alienating their own. It therefore appears as if they exchanged only their own labour since the exchange of commodities which contain other people's labour, insofar as they themselves were not acquired by the individuals in exchange for their own commodities, presupposes different relations between people than those of (simple) commodity owners, of buyers and of sellers. In capitalist production this semblance, which its surface displays, disappears. What does not disappear however is the illusion that originally men confront one another only as commodity owners and that consequently, a person is only a property owner insofar as he is a worker.' Marx concludes that 'as has been stated, this "originally" is a delusion arising from the surface appearance of capitalist production and has never existed historically', since in real history 'man always comes on to the stage as a property owner before he appears as a worker'.[30]

We read in similar vein in the *Rough Draft*: 'The notion that production and hence society depended in all states of production on the *exchange of mere labour for labour is a delusion.* In the various forms in which labour relates to the conditions of production as its own property, the reproduction of the worker is by no means posited through *mere labour*, for his property relation is not the result but the presupposition of his labour. In landed property this is clear; it must also become clear in the guild-system that the particular kind of property which labour creates does not rest on labour alone or on the exchange of labour, but on an objective connection between the worker and a community and conditions which are there before him, which he takes as his basis. These too are products of labour, of the labour of world history; of the labour of the community – of its historic development, which does not proceed from the labour of individuals or from the exchange of their labours . . . A situation in

[29] Cited from *Theories* III, p.377.
[30] *ibid.* p.378.

which labour is merely exchanged for labour . . presupposes the separation of labour from its original intertwinement with its objective conditions – which is why it appears as mere labour on one side, while on the other side its product, as objectified labour, has an entirely independent existence as value opposite it.'[31] This state of affairs, therefore, presupposes capitalist production, but with it the capitalist mode of appropriation as well.

In other words, the traditional conception of 'property-in-labour' is not only a piece of mythology from political economy. It also fundamentally misconceives the specifically historical character of commodity exchange and commodity production in general. It consequently overlooks the fact that capital's mode of appropriation, which is based on the propertylessness and expropriation of the worker, is neither a complete negation nor a 'falsification' of the laws of free exchange, but is rather 'their highest development'. 'For as long as labour-capacity as a commodity'.[33] 'From then onwards com-production does not yet rest on exchange, but exchange is rather merely a narrow circle resting on a foundation of non-exchange, as in all stages preceding bourgeois production.'[32]

The inversion of the law of appropriation comes about first of all 'because the ultimate stage of free exchange is the exchange of labour-capacity as a commodity'.[33] 'From then onwards commodity production is generalised and becomes the typical form of production; it is only from then onwards that every product is produced for sale from the outset and all wealth produced goes through the sphere of circulation. Only where wage-labour is its basis does commodity production impose itself upon society as a whole; but it is also true that only there does it unfold all its hidden potentialities.'[34] Hardly surprising then that the full development of commodity production 'according to its inherent laws' drives onwards to results which contradict its mode of appropriation and turn it into its opposite!

Nevertheless the circulation process, 'as it appears on the surface of society . . . knows no other method of appropriation' apart from

[31] *Grundrisse*, p.515.
[32] *ibid.* p.674.
[33] *ibid.*
[34] *Capital* I, p.733 (587). Lukacs states: 'The commodity can only be understood in its undistorted essence when it becomes the universal category of society as a whole.' And it is precisely for this reason that, 'where the commodity is universal, it manifests itself differently from the commodity as a particular, isolated, non-dominant phenomenon'. (*History and Class Consciousness*, pp.86, 85.)

through the exchange of equivalents, and it is for precisely this reason that this mode of appropriation itself, as well as the laws which contradict it, have '*to be derived from the development of exchange-value itself*'.[35] (The same holds true for the law of value, which on the one hand no longer seems to apply to the capitalist mode of production, but on the other hand requires this mode of production in order to attain its full validity.)[36] Of course, bourgeois economics has to sever the connection between the mode of appropriation of the simple commodity economy and that of capitalist production – it is unable to grasp their mutual relation as 'unity of opposites'. In the first place it does not possess the tool of the dialectical method, and in the second it has no theoretical understanding of either the simple commodity economy, or the capitalist mode of production itself, as having a merely relative, historical character.

So much on Marx's analysis of surplus capital, as it is to be found in the *Rough Draft*. This analysis has shown us that 'the true nature of capital emerges only at the end of the second circuit' (i.e. the circuit of surplus capital I), and hence that it is here that the illusion first disappears 'that the capitalist exchanges anything at all with the worker other than a part of the latter's own objectified labour'.[37] Not until this point does labour appear 'as a mere means to realise objectified, dead labour, to penetrate it with an animating soul while losing its own soul to it'; whereas the objective conditions of this labour 'are posited as alien, independent existences . . . as self-sufficient values for themselves, which form wealth alien to labour-capacity, the wealth of capital'.[38] The result of this is the 'most extreme alienation', the separation of labour itself from the conditions of its realisation. 'Once this separation is given, the production

[35] *Grundrisse*, German edn. p.904.
[36] Cf. Chapter 9 above.
[37] *Grundrisse*, pp.514, 516-17.
[38] 'The material on which it [labour-capacity] works is alien material; the instrument is likewise an alien instrument; its labour appears as a mere accessory to their substance and hence objectifies itself in things not belonging to it. Indeed, living labour itself appears as alien vis-à-vis living labour-capacity, whose labour it is, whose own life expression it is, for it has been surrendered to capital in exchange for objectified labour, for the product of labour itself. Labour-capacity relates to its labour as to an alien, and if capital were willing to pay it without making it labour it would enter the bargain with pleasure. Thus labour-capacity's own labour is as alien to it . . . as are material and instrument. Which is why the product then appears to it as a combination of alien material, alien instrument and alien labour – as alien property, and why, after production, it has become poorer by the life forces expended, but otherwise begins the drudgery anew.' (*ibid.* p.462.)

process can only produce it anew, reproduce it and reproduce it on an expanded scale.'[39] But we know: 'What appears paradoxical as result is already contained in the presupposition', in the act of exchange between the capitalist and the worker, since 'the separation of labour from property in the product of labour, of labour from wealth, is thus posited in this act of exchange itself.'[40] This presupposition is merely realised in the production and reproduction process of capital.

[39] *ibid.* p.462.

[40] *ibid.* p.307. 'What is capital, regarded not as the result of, but as the prerequisite for the process (of production)? What makes it capital before it enters the process so that the latter merely develops its immanent character? The social framework in which it exists. The fact that living labour is confronted by past labour, activity is confronted by the product, man is confronted by things, labour is confronted by its own materialised conditions as alien, independent, self-contained subjects, personifications, in short, as someone else's property and, in this form, as "employers" and "commanders" of labour itself, which they appropriate instead of being appropriated by it . . . Money . . . in the process appropriates surplus-value, no matter what name it bears . . . because it is already presupposed as capital before the production process . . . If it did not enter into the process as capital it would not emerge from it as capital.' (*Theories* III, pp.475, 476.)

20.

Primitive Accumulation and the Accumulation of Capitals

Marx's examination of surplus capital showed us that, 'as soon as capital has become capital as such it creates its own presuppositions i.e. the possession of the real conditions of the creation of new values *without exchange* – by means of its own production process. These presuppositions, which originally appeared as conditions of its becoming . . . now appear as results of its own realisation . . . as posited by it – *not as conditions of its arising, but as results of its presence*.'[1] What follows from this, however, is that the conditions of the becoming of capital are distinct from the capitalist mode of production itself and must be explained outside of it.[2] This is not only of importance in refuting the evasions of the apologists, which were mentioned in the previous chapter. 'What is much more important for us', says Marx, 'is that our method indicates the points where historical investigation must enter in, or where bourgeois economy as a merely historical form of the production process points beyond itself to earlier historical modes of production.'[3] This is because although it was necessary to understand the development of economic categories as the dialectical development of what was already contained in the concept of capital, one must also not overlook the

[1] *Grundrisse*, p.460.

[2] 'While, e.g. the flight of serfs to the cities is one of the historic conditions and presuppositions of urbanism, it is not a condition, not a moment of the reality of developed cities, but belongs rather to their past presuppositions, to the presuppositions of their becoming which are suspended in their being.' (*ibid.* p.459.)

[3] *ibid.* pp.460-61. Marx continues: 'In order to develop the laws of bourgeois economy, therefore, it is not necessary to write the real history of the relations of production. But the correct observation and deduction of these laws, as having themselves become in history, always leads to primary equations – like the empirical numbers, e.g. in natural science – which point towards a past lying behind this system. These indications, together with a correct grasp of the present, then also offer the key to the understanding of the past – a work in its own right, which, it is to be hoped, we shall be able to undertake as well.' (*ibid.* pp.460-61.)

fact that this is not merely a question of a dialectic of concepts, and that in general 'the dialectical method of presentation is only correct when it knows its limits'.[4] Thus Marx's method itself leads us to the investigation of the 'antediluvian conditions of capital', which 'belong to the history of its formation, but in no way to its contemporary history', and which find their most distinct expression in the so-called primitive accumulation of capital.

We read in the *Rough Draft* that the conditions of the capital-relation as such 'are themselves posited in the relation as it appears originally'. These are: 1. 'the presence of living labour-capacity as a merely subjective existence, separated from the conditions of living labour as well as from the means of existence . . . the means of self-preservation of living labour-capacity'. 2. the value (capital) to be found on the other side must 'be an accumulation of use-values sufficiently large to furnish the objective conditions not only for the production of the products or values required to reproduce or maintain living labour-capacity, but also for the absorption of surplus labour – to supply the objective material for the latter'; 3. but 'a free exchange relation between both sides' must be present . . . 'i.e. hence, production which does not directly furnish the producer with his necessaries, but which is mediated through exchange, and which cannot therefore usurp alien labour directly, but must buy it, exchange it'; and finally 4. the side which confronts the worker must 'present itself as value, and must regard the positing of value, self-valorisation, money-making, as the ultimate purpose – not direct consumption or the creation of use-value'.[5]

Let us begin with the last two conditions. We have already emphasised that it is impossible to speak of the capital-relation as long as the worker himself does not dispose of his own expenditure of force through exchange. Consequently, the capitalist mode of production presupposes the dissolution of all relations 'in which the *workers themselves*, the living labour-capacities themselves, still belong *directly among the objective conditions of production*, and are appropriated as such – i.e. are slaves or serfs. For capital, the worker is not a condition of production, only work is. If it can make machines do it, or even water, air, so much the better. And it does not appropriate the worker, but his labour – not directly, but mediated through exchange.'[6] (Marx remarks on this: 'The fact that slavery is possible at individual points within the bourgeois system of

[4] *Grundrisse*, German edn. p.945.
[5] *Grundrisse*, pp.463-64.
[6] *ibid.* p.498.

production does not contradict this. However slavery is then possible there only because it does not exist at other points and appears as an anomaly opposite the bourgeois system itself.'[7])

Nevertheless the exchange of living labour for money, for objectified labour, does not yet constitute 'either capital on one side, or wage-labour on the other'. This can also apply in other types of relation. For example, the so-called services. 'If A exchanges a value or money . . . in order to obtain a service from B' then they both 'in fact exchange only use-values with one another'; A gives necessaries (or money), B labour, a service which A wants to consume, either directly – personal service – or by providing B with the material, whereby the latter creates a use-value designed for his consumption by means of the objectification of his labour. 'For example, when the peasant takes a wandering tailor, of the kind that existed in times past, into his house, and gives him the material to make clothes with.[8] Of if I give money to a doctor to patch up my health. What is important in these cases is the service which both do for one another. *Do ut facias* here appears on quite the same level as *facio ut des*, or *do ut des*.* The man who takes the cloth I supplied to him and makes me an article of clothing out of it gives me a use-value. form of activity. I give him a completed use-value; he completes another for me. The difference between previous, objectified labour and living, present labour here appears as a merely formal difference between the different tenses of labour, at one time in the perfect and at another in the present.'[9]

In fact, continues Marx, 'the article of clothing not only con-

[7] *ibid.* p.464. Cf. also p.224. 'Negro slavery – a purely industrial slavery – which is, besides, incompatible with the development of bourgeois society and disappears with it, presupposes wage-labour, and if other, free states with wage-labour did not exist alongside it, if, instead, the Negro states were isolated, then all social conditions there would immediately turn into pre-civilised forms.'

[8] '[T]he tailor and shoemaker, who in my youth still paid their visits to our Rhine peasants, one after another, turning the home-made materials into shoes and clothing.' (Engels, *Supplement to Capital Volume Three*, *Capital* III, p.897.)

* *Do ut facias*: I give that you may do: *facia ut des*: I do that you may give: *do ut des*: I give that you might give.

[9] *Grundrisse*, pp.465-66. 'In the exchange of money for labour or service, with the aim of direct consumption, a real exchange always takes place; the fact that amounts of labour are exchanged on both sides is of merely formal interest for measuring the particular forms of the utility of labour by compar-
But instead of giving it directly in objective form, he gives it in the
ing them with each other. This concerns only the form of exchange; but does

tains a specific form-giving labour – a specific form of usefulness imparted to the cloth by the movement of labour – but it also contains a certain quantity of labour – hence not only use-value, but value generally, value as such. But this value does not exist for A, since he consumes the article, and is not a clothes dealer. He has therefore bought the labour not as *value-positing* labour, but as an activity which creates utility, use-value.' In the case of personal services this use-value is even consumed 'as such without making the transition from the form of movement into the form of the object. If, as is frequently the case in simple relations, the performer of the service does not obtain *money*, but direct use-values themselves, then it no longer even seems as if value were being dealt in on one or the other side; merely use-values. But even given that A pays money for the service, this is not a transformation of his money into capital, but rather the positing of his money as mere medium of circulation, in order to obtain an object for consumption, a specific use-value. This act is for that reason not an act which produces wealth, but the opposite, one which consumes wealth.' The owner of money 'sees his money not valorised but *devalued* in its transposition from the form of value into the form of use-value' – and the more often 'he repeats the exchange, the poorer he becomes'.[10] The money which he 'here exchanges for living labour – service in kind, or service objectified in a thing – is not *capital* but revenue, money as a medium of circulation in order to obtain use-value . . . not money which will preserve and valorise itself as such through the acquisition of labour. Exchange of *money as revenue*, as a mere medium of circulation, for living labour, can never posit money as capital, not, therefore, labour as wage-labour in the economic sense. A lengthy disquisition is not required to show that to consume (spend) money is not the same as to produce money.'[11]

not form its content. In the exchange of capital for labour, value is not a measure for the exchange of two use-values, but is rather the content of the exchange itself.' (*ibid.* p.469.)

[10] 'One of the savants of Paul de Kock may tell me that, without this purchase' of service, 'I cannot live, and therefore also I cannot enrich myself; that this purchase is therefore an indirect means, or at least a condition, for my enrichment – in the same way as the circulation of my blood or the process of breathing are conditions for my enrichment. But neither the circulation of my blood nor my breathing in themselves make me any the richer; on the contrary, they both presuppose a costly assimilation of food; if that were not necessary, there would be no poor devils about.' (*Theories* I, pp.402-03.)

[11] *Grundrisse*, pp.466-67. Cf. *ibid.* p.272: 'Labour as mere performance of services for the satisfaction of immediate needs has nothing whatever to do with capital, since that is not capital's concern. If a capitalist hires a wood-

Marx concludes: 'It is not, then, simply the exchange of *objectified labour for living labour* . . . which constitutes capital and hence wage-labour, but rather, the exchange of objectified labour as value, as self-sufficient value, for living labour as *its* use-value, as use-value not for a specific, particular use or consumption, but as use-value for *value*.'[12]

This is the reason why the free day labourers, who are to be found sporadically in the period of pre-bourgeois relations, cannot be classified as 'wage-labourers'. True, their services were bought 'not for the purposes of consumption, but of production; but, firstly, even if on a large scale, for the production only of *direct use-values*, not of *values*; and secondly, if a nobleman e.g. brings the free worker together with his serfs, even if he re-sells a part of the worker's product, and the free worker thus creates value for him, then this exchange takes place only for the superfluous [product] and only for the sake of superfluity, for *luxury consumption;* is thus at bottom only a veiled purchase of alien labour for immediate consumption or as use-value.'[13] (Marx adds: 'Incidentally, wherever these free workers increase in number, and where this relation grows, there the old mode of production . . . is in the process of dissolution, and the elements of real wage-labour are in preparation.' What can also naturally happen as in ancient Poland, is that these free servants 'emerge . . . and vanish again without a change in the mode of production taking place'.[14])

The capital-relation can therefore only arise if the commodities put up for sale by the purchaser of labour-power simply serve as a means of preserving and increasing the values in his possession. In order for this to take place, the worker must not only be personally

cutter to chop wood to roast his mutton over, then not only does the woodcutter relate to the capitalist, but also the capitalist to the woodcutter, in the relation of simple exchange. The woodcutter gives him his service, a use-value, which does not increase capital; rather, capital consumes itself in it; and the capitalist gives him another commodity for it in the form of money. The same relation holds for all services which workers exchange directly for the money of other persons, and which are consumed by these persons. This is consumption of revenue, which, as such, always falls within simple circulation; it is not consumption of capital.'

[12] *ibid.* p.469. As one can see this is a perspective which was later developed in great detail by Marx in Part I of the *Theories* – 'Adam Smith's Conception of Productive Labour', pp.155-76.

[13] It is on this basis that we should evaluate the attempts of some European economic historians to deduce the 'capitalist' character of eighteenth-century estates from the presence of free day labourers on them.

[14] *Grundrisse*, p.469.

free; he must also be put into the position where it is no longer possible for him to exchange the products which he has produced himself, and where the only commodity which he has to offer is his own labour-power. ('So long as *both* sides exchange their labour with one another in the form of *objectified* labour, the relation is impossible.')[15]

Consequently, the owners of labour-power must be propertyless proletarians. Although this precondition may appear simple and self-evident from the vantage point of the present social order, it required centuries of development before a class of such proletarians could come into being. For (apart from slavery, and slave-like situations, 'where the worker himself appears among the natural conditions of production for a third individual or community'[16]), the producers of earlier periods were always either owners of, or at least in possession of, the means of production (soil and land, or the implements of their craft). Consequently the objective conditions of production appear here as 'natural presuppositions, *natural conditions of the producer's existence* – just as his living body, even though he reproduces and develops it, is originally not posited by himself, but appears as the *presupposition* of his self.' Thus the mode of production of earlier epochs was based on the original unity of the producers with the conditions of production[17] – and it is not this unity 'which

[15] *ibid.* p.464.

[16] *ibid.* p.495.

[17] 'The original unity between the worker and the conditions of production . . . has two main forms: the Asiatic communal system (primitive communism) and small-scale agriculture based on the family . . . Both are embryonic forms and both are equally unfitted to develop labour as social labour and the productive power of social labour. Hence the necessity for the separation, for the rupture, for the antithesis between labour and property (by which property in the conditions of production is to be understood). The most extreme form of this rupture, and the one in which the productive forces of social labour are also most powerfully developed, is capital. The original unity can be re-established only on the material foundation which creates it and by means of the revolutions which, in the process of this creation, the working class and the whole society undergo.' (*Theories* III, pp.422-23.) On the subject of the 'Asiatic form of society'; it is evident from all the available texts that Marx regarded the so-called 'Asiatic form of society' as one species of primitive communism, standing at the beginning of the history of culture (which is also confirmed by the above quotation from the *Theories*). This fact also explains why Marx begins his enumeration of the successive periods of economic history (in the *Preface* to the *Contribution*) not with primitive communism, but with the 'Asiatic mode of production'. We read there: 'In broad outline, the Asiatic, ancient, feudal and modern bourgeois modes of production may be designated as epochs marking progress in the economic development of society' (*Contribution*, p.21), although in the same text (and in the previously written *Rough Draft*) he starts the history of culture with primitive communism, and stresses that this 'primitive form' existed not only in Asia, but also with the Romans, Germans, Celts and Slavs (*Contribution*, p.33). (This apparent 'contradiction' has never been noticed by the recent advocates of the theory of a specifically 'Asian form of society').

requires explanation or is the result of a historic process, but rather the *separation* . . . a separation which is completely posited only in the relation of wage-labour and capital'.[18]

In other words, the capitalist mode of production presupposes a series of historical changes in which, first of all, the various forms in which the producers were bound to the means of production were destroyed. It thus presupposes, above all: in the first place the 'dissolution of the relation to the earth – land and soil – as natural conditions of production, to which he relates as to his own inorganic being; the workshop of his forces and the domain of his will.' (Consequently 'the formula of capital' above all '*includes not-land-ownership*, or, the negation of the situation in which the working individual relates to land and soil, to the earth, as his own i.e. in which he works, produces, as proprietor of the land and soil'.[19]) Secondly the capitalist mode of production presupposes the dissolution of relations in which the producer 'appears as the *proprietor of the instrument*'. ('Just as the above form of landed property presupposes a real community,[20] so does this property of the worker in the instrument presuppose a particular form of the development of manufacture, namely craft artisan work; bound up with it, the guild-corporation system, etc.') And finally it presupposes 'included in both' the dissolution of the situation in which the producer still 'has in his possession before production the *means of consumption* which are necessary for him to live as a producer – i.e. during production, *before* its completion.' ('As proprietor of land he appears as directly provided with the necessary consumption fund. As master in a craft he has inherited it, earned it, saved it up – and as a youth he is first an apprentice, whereas he does not appear as an actual independent worker at all, but shares the master's fate in a patriarchal way . . .')

[18] *Grundrisse*, p.489.

[19] 'The first condition for the development of capital is the separation of landed property from labour – the emergence of land, the primary condition of labour, as an independent force, a force in the hands of a separate class, confronting the free worker.' Consequently in the Physiocratic version of economics, 'the landowner appears as the true capitalist, that is, the appropriator of surplus-value . . . In this respect too the Physiocratic system hits the mark . . .' (*Theories* I, pp.51-52.)

[20] In contrast to the social connection based on commodity exchange and money. (Cf. p.128 above.)

The *Rough Draft* continues: 'These are now . . . historic presuppositions needed before the worker can be found as a free worker, as objectless purely subjective labour-capacity confronting the objective conditions of production as his *not-property*, as alien property, as *value* for-itself, as capital. But the question arises, on the other side, which conditions are required so that he finds himself up against a *capital*?'[21]

The answer runs: 'It is inherent in the concept of capital . . . in its origin, that it begins with *money*, and hence with wealth existing in the form of money. It is likewise inherent in it that it appears as coming out of circulation, as the product of circulation. The formation of capital thus does not emerge from landed property (here at most from the *tenant*, insofar as he is a dealer in agricultural products); or from the guild (although there is a possibility at the last point[22]); but rather from merchant's and usurer's wealth.'[23] The former, in particular, constitutes a necessary condition for the development of the capitalist mode of production, since 'this presupposes production for trade, selling on a large scale, and not to the individual customer, hence also a merchant who does not buy to satisfy his personal wants but concentrates the purchases of many buyers in his one purchase.' On the other hand the entire development of merchant's wealth operates in the direction of 'giving production more and more the character of production for exchange-value', thereby undermining the old relations of production. (It is in this sense that Marx spoke of the 'dissolving effect' of trade and merchant's wealth[24].) Yet this effect 'is incapable by itself of promoting and explaining the transition from one mode of production to another'[25] (i.e. from feudal to capitalist). ('Or else', we read in the *Rough Draft*, 'ancient Rome, Byzantium etc. would have ended their history with free labour and capital, or rather begun a new history. There, too, the dissolution of the old property relations was bound up with development of monetary wealth – of trade etc. But instead of leading to

[21] *Grundrisse*, pp.497-98.

[22] Namely to the extent that 'individual guild masters may develop into capitalists with the dissolution of the guilds; but the case is rare, in the nature of the thing as well. As a rule, the whole guild system declines and falls, both master and journeyman, where the capitalist and the worker arise'. (*ibid.* p.506.)

[23] *ibid.* p.505.

[24] For example in the *Grundrisse*, pp.856-57 (see note 17 on p.153 above).

[25] *Capital* III, p.327.

industry this dissolution led in fact to the supremacy of the countryside over the city.'[26])

Thus it was not monetary wealth as such which made capitalists out of the merchants and money owners of the fifteenth to seventeenth centuries. This presupposed rather the historical process of the divorce of the means of production from labour and from the workers. Not until after this process 'had reached a certain level could monetary wealth place itself as a mediator between the objective conditions of life, thus liberated, and the liberated but also *homeless* and *emptyhanded* labour-powers, and buy the latter with the former'.[27] It was only then that the capitalist could engage in 'primitive accumulation' of the conditions of production.

This was by no means a process of creation out of nothing (which is fundamentally how the matter appears to bourgeois economists).[28] 'The process of dissolution, which transforms a mass of individuals of a nation etc. potentially into free wage-labourers – individuals forced solely by their lack of property to labour and sell their labour – presupposes on the other side *not* that these individuals' previous sources of income and in part conditions of property have *disappeared*, but the reverse, that *only* their utilisation has become different . . .' For 'this much is clear; the same process which divorced a mass of individuals from their previous relations to the objective conditions of labour, relations which were, in one way or another, affirmative, negated these relations, and thereby transformed these individuals into *free workers*, this same process freed – potentially – these objective conditions of labour – land and soil, raw material, necessaries of life, instruments of labour, money or all of these – from their *previous state of attachment* to the individuals now separated from them.' This process 'was the divorce of elements which up until then were bound together; its result is therefore not that one of the elements disappears, but that each of them appears in a negative relation to the other – the (potentially) free worker on the one

[26] *Grundrisse*, p.506. Cf. *Capital* III, p.332. 'In the ancient world the effect of commerce and the development of merchant's capital always resulted in a slave economy; depending on the point of departure, it also resulted in the transformation of a patriarchal slave system devoted to the production of the immediate means of subsistence into one devoted to the production of surplus-value. However, in the modern world, it results in the capitalist mode of production. It follows from this that these results spring in themselves from circumstances other than the development of merchant's capital.'

[27] *Grundrisse*, p.509.

[28] Cf. *Capital* II, pp.140-43. (Smith's view of the formation of a reserve stock.)

side, capital (potentially) on the other.' The separation of the objective conditions of labour from the masses, who have become transformed into free workers, necessarily appears also 'at the same time as the achievement of independence by these same conditions at the opposite pole'.[29]

Marx continues: 'There can therefore be nothing more ridiculous than to conceive this *original formation* of capital' (i.e. primitive accumulation) 'as if capital had stockpiled and created the objective conditions of production – necessaries, raw materials, instruments – and then offered them to the worker, *who was bare of these possessions*[30] . . . Rather its original formation is that, through the historic process of the dissolution of the old mode of production, value existing as money-wealth is enabled, on one side, to buy the objective conditions of labour; on the other side, to exchange money for the living labour of the workers who have been set free. All these moments are present;[31] their divorce is itself a historic process, a process of dissolution, and it is the *latter* which enables money to transform itself into *capital*.[32] Money itself, to the extent that it also plays an active role,

[29] *Grundrisse*, p.503.

[30] Marx notes in a footnote: 'The first glance shows what a nonsensical circle it would be if on the one hand the workers whom capital has put to work in order to posit itself as capital had first to be created, to be brought to life through its stockpiling if they waited for its command *Let There Be Workers*!; while at the same time it were itself incapable of stockpiling without alien labour, could at most stockpile its own labour, i.e. could exist in the form of not-capital and not-money; since labour, before the existence of capital, can only realise itself in forms such as craft labour, petty agriculture etc., in short all forms which can not stockpile, or only sparingly; in forms which allow of only a small surplus-product and eat up most of it.' (*ibid.* p.506.)

[31] This also applies to the instruments of labour, since 'monetary wealth neither invented nor fabricated the spinning wheel and the loom. But once unbound from their land and soil, spinner and weaver with their stools and wheels came under the command of monetary wealth.' (*ibid.* pp.507-08.)

[32] We read further on in the text: 'The way in which money transforms itself into capital often shows itself quite tangibly in history; e.g. when the merchant induces a number of weavers and spinners, who until then wove and spun as a rural secondary occupation, to work for him, making their secondary into their chief occupation; but then has them in his power and has brought them under his command as wage-labourers. To draw them away from their home towns and to concentrate them in a place of work is a further step. In this simple process it is clear that the capitalist has prepared neither the raw material, nor the instrument, nor the means of subsistence for the weaver and the spinner. All that he has done is to restrict them little by little to one kind of work in which they become dependent on selling, on the buyer, the merchant, and ultimately produce only for and through him. He bought their labour originally only by buying their product; as soon as they restrict themselves to the production of this exchange-value and thus must directly produce exchange-values, must exchange their labour directly for money in order to survive, then they must come under his command, and at the end even the illusion that they sold him products disappears. He buys their labour and takes their property first in the form of the product, and soon after that the instrument as well, or he leaves it to them as sham property in order to reduce his own production costs.' (*ibid.* p.510.)

does so only insofar as it intervenes in this process as itself a highly energetic solvent, and to that extent assists in the creation of the *plucked*, objectless *free workers*; but certainly not by creating the objective conditions of their existence; rather by helping to speed up their separation from them – their propertylessness.'[33]

At this stage, capital proper '*does nothing but bring together the mass of hands and instruments which it finds on hand. It agglomerates them under its command.* That is its *real stockpiling*; the stockpiling of workers, along with their instruments, at particular points.'[34] In fact, 'from the historical foundation from which this process proceeds' ((manufacture, etc.) 'this concentration can only take place in the form that these workers are assembled together as wage-labourers, that is, as workers who must sell their labour-power because the conditions of labour confront them independently as alien property, as an alien force . . . [because] the disposal of them through the intermediary of money is in the hands of individual owners of money or of commodities, who, thereby, become *capitalists*.'[35] However, it is necessary at this point to distinguish between the capitalist form and the content of this process, since it is a universal condition for labour as such that 'subsistence for the workers must be available, before new necessaries are reproduced', and that 'the products of their labour must constitute the raw material and means of production for their own reproduction.' And it is only under capitalism that this reserve supply of means of subsistence and means of production assumes the form of commodities and capital. 'The properties, the characteristic features of the *capitalist mode of production* and therefore of capital itself insofar as it expresses a definite relation of the producers to one another and to their products, are necessarily, and invariably, described by the economists as the properties of the *objects*.'[36]

[33] *ibid.* pp.506-07, 508-09.

[34] *ibid.* p.508.

[35] *Theories* III, p.271.

[36] *ibid.* p.270.

Popularisations of Marx's economics often treat the chapter on primitive accumulation as one which, although important in itself, basically lies outside the scope of economic analysis proper, a mere *historical* digression on Marx's part. This is clearly false.[37]

Of course one precondition for the capitalist mode of production to exist at all is the breaking of the original unity between the producers and the conditions of production, and the loss by the producers of the 'function of accumulating' which accompanies their loss of the conditions of production and their 'labour fund'.[38] Regarded in this way, primitive accumulation is one of those elements which make up the capital-relation itself, and it is therefore 'contained in the concept of capital'.[39] It does not follow from this, however, that we should regard the process of the divorce of the worker from the means of production as being concluded once and for all. Simply as an historical fact! On the contrary: 'Once capital exists, the capitalist mode of production itself evolves in such a way that it maintains and reproduces this separation on a constantly increasing scale until the historical reversal takes place.'[40] This process is accomplished through the continuous conversion of surplus-value into capital, 'as a result of which the increased products of labour which are at the same time its objective conditions, conditions of reproduction, continuously

[37] Uncharacteristically, the same incorrect view can also be found in Luxemburg. 'Admittedly, Marx dealt in detail with the process of appropriating non-capitalist means of production as well as the transformation of the peasants into a capitalist proletariat. Chapter 25 of *Capital* Volume I is devoted to describing the origin of the English proletariat, of the capitalist agricultural tenant class and of industrial capital, with particular emphasis on the looting of colonial countries by European capital. Yet we must bear in mind that all this is treated solely with a view to so-called primitive accumulation. For Marx, these processes are incidental, illustrating merely the genesis of capital, its first appearance in the world; they are, as it were, travails by which the capitalist mode of production emerges from a feudal society. As soon as he comes to analyse the capitalist process of production and circulation he reaffirms the universal and exclusive domination of capitalist production.' *Accumulation of Capital*, pp.364-65.

[38] *Theories* III, p.421.

[39] 'But in order to come into being capital presupposes a certain accumulation; which is already contained in the independent antithesis between objectified and living labour: in the independent survival of this antithesis. This accumulation, necessary for capital to come into being, which is already therefore included in its concept as presupposition – as a moment – is to be distinguished essentially from the accumulation of capital which has already become capital, where there must already be capitals.' (*ibid.* pp.319-20; cf. *ibid.* p.590.)

[40] That is, until a communist society is established.

confront labour as *capital* i.e. as forces – personified in the capitalist – which are alienated from labour and dominate it. Consequently, it becomes a specific function of the capitalist to accumulate, that is, to reconvert a part of the surplus-product into means of production.' (The *Rough Draft* speaks in this sense of the 'specific accumulation of capital', by which is meant the 'tendering' by the capitalist of the material for new 'surplus labour', for extended reproduction).[41] However, this accumulation 'merely presents as a *continuous process* what in *primitive accumulation* appears as a distinct historical process, as the process of the emergence of capital and as a transition from one mode of production to the other'.[42]

But this is not all. If on the one hand the transformation of money into capital presupposes the historical process of primitive accumulation, 'it is on the other hand the effect of capital and of its process, once arisen, to conquer all of production and, at all points, to develop and complete the divorce between labour and property, between labour and the objective conditions of labour'.[43] Consequently the further advance of the capitalist mode of production not only has as its consequence the progressive destruction of handicrafts, and of the small-scale landed property of the cultivator himself etc., but also the 'swallowing up of small capitalists by large, and the deprivation of the former of their capital'. We are once again confronted with the identical process of separation, 'which begins with primitive accumulation, appears as a permanent process in the accumulation and concentration of capital and expresses itself finally as centralisation of existing capitals in a few hands and a deprivation

[41] This does not of course mean that it is something unique to capital to use parts of the surplus-product for extended reproduction. 'For it is stupid . . . to regard it as a quality specific to capital – that the objective conditions of living labour must be present as such – whether they are furnished by nature or produced in history. Hence the specific accumulation of capital means nothing more 'than that it valorises objectified surplus labour – surplus-product – in a new living surplus labour, instead of investing (spending) it, like, say, Egyptian kings or Etruscan priest-nobles for pyramids etc.' (*Grundrisse*, p.433.) Thus, in capitalism the function of the extension of production is allotted to the capitalists; it is presented as the transformation of the surplus-product into capital. (And it is precisely in this that its extension of production is to be distinguished from previous modes of production.) 'And the stupid economist concludes from this', mocks Marx, 'that if this operation did not proceed in this contradictory specific way, it could not take place at all. Reproduction on an extended scale is inseparably connected in his mind with accumulation, the capitalist form of this reproduction.' (*Theories* III, p.272.)

[42] *ibid.* p.272.

[43] *Grundrisse*, p.512.

of many of their capital'.[44] This is a process which will only reach its conclusion with the removal of capitalism itself, that is, with the re-establishment of the original unity between the producers and their objective conditions of production.

[44] *Capital* III, p.246. (Cf. the identical passage in *Theories* III, pp.271-72.)

Appendix

A Critical Assessment of Marx's Theory of Wages

1. Marx's theory of wages

Like his predecessors, Marx distinguishes between the value and price of labour-power (or to put it in the language of the classical economists, between the 'natural' and 'market price' of 'labour'). The price of labour-power is the wage, insofar as this is simply a function of the relation of supply and demand on the labour market; on the other hand the value of labour-power is that average quantity to which the actual wage paid seeks to adjust itself in the long run, and which is therefore independent of supply and demand.

However, how is the value of labour-power determined? Like that of all commodities – through its cost of production. However, since labour-power 'only exists as a capacity of the living individual',[1] and since it is inseparable from its bearer, the worker himself, the costs of its production clearly break down into those costs which are required to 'maintain the worker as worker' and to 'perpetuate the race of workers'; and these are primarily the necessities which serve for the maintenance of workers and their families, for their nourishment, clothing, housing etc., if we disregard the relatively small costs of training of the great majority of workers. In this sense the value of labour-power is determined by the value of the 'necessary means of subsistence', and in the final analysis by the amount of labour incorporated in them.

To this extent the determination of the value of labour-power coincides with the determination of the value of all other commodities. The difference does not become evident until we investigate the extent of the means of subsistence which are necessary for the maintenance of the worker, or 'the necessary wants' which are their basis.

It is clear that the sum of the 'necessary means of subsistence' must at the least suffice 'to maintain the working individual in his normal state as a working individual'.[2] We therefore have to make a distinction between the energy expended merely in the 'life-process'

[1] *Capital* I, p.274 (171).
[2] *ibid.* p.275 (171).

of the worker, and that expended in the 'labour process' (to adopt O.Bauer's well-chosen terminology[3]). (If only the former is replaced, then the additional expenditure of energy which work itself requires would not be – or would only be insufficiently – compensated for, leading to only a very restricted reproduction of labour-power and the consequent falling of the price of labour-power below its value.) It is also clear that the so-called 'natural needs, such as food, clothing, fuel and housing' can vary a great deal, 'according to the climatic and other physical peculiarities of the country'.[4]

But is it in fact simply a question of 'natural' needs and are these identical with the 'necessary' needs in the sense used in political economy? Political economy is of course a social, not a natural science. As a result it does not ask which needs are necessary 'in themselves', or from the standpoint of physiology, but rather which needs correspond to the 'traditional', socially given, way of life of the worker in a particular country at a particular time. In fact, 'the number and extent of his so-called necessary requirements, as also the manner in which they are satisfied, are themselves products of *history*, and depend therefore to a great extent on the level of civilisation attained by a country; in particular they depend on the conditions in which, and consequently on the habits and expectations with which, the class of free workers has been formed.' And we would add to that that the extent of these needs also naturally depends on the demands which the working class raises and succeeds in achieving in its political and trade-union struggle against the capitalist class, providing that they can be consolidated, and are not merely achievements of a temporary nature. In this sense Marx expressly stresses the 'historical and moral element' which enters into the determination of the value of labour-power.[5]

However, what follows from the fact that – as distinct from all other commodities – 'the value of labour-power is constituted from two elements, one of which is merely physical, the other historical or social'?[6] Nothing other than that the laws of the determination of wages are 'elastic' (as Engels put it), and that the value of labour-power must vary within particular limits. 'Its ultimate limit is determined by the physical element, that is to say, to maintain and reproduce itself, to perpetuate its physical existence, the working class must receive the necessaries absolutely indispensable for living and multi-

[3] O.Bauer, *Rationalisierung und Fehlrationalisierung*, pp.170-71.
[4] *Capital* I, p.275 (171).
[5] *ibid.*
[6] *Wages, Price and Profit. Selected Works*, p.222.

plying. The value of those indispensable necessaries forms, therefore, the ultimate limit of the value of labour.'[7] And its upper limit? This cannot be determined by human needs since human needs are very flexible.

We read in Marx on this subject: 'But as to profits, there exists no law which determines their minimum. We cannot say what is the ultimate limit of their decrease. And why cannot we fix that limit? Because, although we can fix the minimum of wages, we cannot fix their maximum. We can only say that, the limits of the working day being given, the maximum of profit corresponds to the physical minimum of wages; and that wages being given, the maximum of profit corresponds to such a prolongation of the working day as is compatible with the physical forces of the labourer. The maximum of profit is, therefore, limited by the physical minimum of wages and the physical maximum of the working day. It is evident that between the two limits of this maximum rate of profit an immense scale of variations is possible. The fixation of its actual degree is only settled by the continuous struggle between capital and labour, the capitalist constantly tending to reduce wages to their physical minimum, and to extend the working day to its physical maximum, while the worker constantly presses in the opposite direction. The matter resolves itself into a question of the respective powers of the combatants.'[8]

This passage should not be understood as meaning that there might be no upper limit at all to the value of labour-power, and wage increases. Such a limit does exist, and is in fact quite narrowly drawn. However, this can be derived neither from the form and extent of the working class's socially given standards of living, nor from some abstractly understood size of national product which is to be distributed, but only from the nature of capital itself. For it is simply not the case that labour and capital represent two autonomous powers, whose respective 'shares' in the national product merely depend on their respective strengths; rather, labour is subject to the economic power of capital in capitalism from the outset, and its 'share' must naturally always be conditional on the 'share' of capital. Therefore the real uppermost limit of wages is given by the size of profit, and, more precisely, by the movements of the rate of profit. Or as Rosa Luxemburg writes: 'The entire capitalist economy, i.e. primarily the purchase of labour-power, has production for profit as its aim. Hence a definite rate of profit as the aim of production pre-

[7] *ibid.*
[8] *ibid.* p.223.

cedes the hire of workers as something given, and at the same time constitutes the average upper barrier beyond which wages cannot increase. But it is also an inherent tendency in profit to extend itself without limit at the expense of the worker, i.e. to reduce him to the bare minimum of existence. The wage moves up or down between these extremes, according to the relation between supply and demand, that is, the relation between the disposable labour-powers and the size of the capital which is seeking an outlet in production.'[9]

That this constitutes the real meaning of Marx's theory of wages has already long been recognised by several bourgeois economists. Thus, Werner Sombart wrote in his polemic against Julius Wolf: 'Wolf is evidently caught in the delusion that marxist theory maintains that wages must necessarily remain based on the value of the necessary means of subsistence; he even rediscovers the "eternal law of wages" in Marx, if not literally, at least in terms of its content. A more distorted interpretation could hardly be found. One only needs to read Marx's indignant attacks on the advocates of the eternal law of wages. But, even without taking account of these explicit reservations, Wolf ought to have inferred the conclusion from Marx's theory as a whole, that only one single law is in fact essential to it: "Wages can never rise so high that the capitalist loses interest in production".'[10]

Admittedly, Sombart's essay was written in the 1890s. However, since that time several socialists have 'learnt' so much in addition that they still cannot distinguish between Marx's theory of wages and Lassalle's 'iron law of wages', and interpret Marx's theory, like Julius Wolf, as implying a 'physiological minimum of existence'. For example, one can read in Fritz Sternberg: 'The worker's wage oscillates, as Marx formulated it, around its costs of production i.e. around a standard which enables him to maintain himself.'[11] If a recognised marxist is so ill-informed what can one expect of those who, quite simply, want to destroy Marx?

[9] Rosa Luxemburg, *Ausgewählte Reden und Schriften* II, p.99. Cf. Karl Kautsky, *Karl Marx' ökonomische Lehren*, 1906, p.236. 'The wage can never increase so much that it endangers surplus-value itself. In the capitalist mode of production the demand for labour-power is occasioned by capital's need for self-valorisation, for the production of surplus-value. Therefore capital will never buy labour-power at a price which would exclude the production of surplus-value.'

[10] Quoted from K.Diehl, *Sozialökonomische Erläuterungen zu David Ricardos Grundgesetzen der Volkswirtschaft und Besteuerung* II, p.76.

[11] Fritz Sternberg, *Marx und die Gegenwart*, pp.13-14.

2. *Marx on the movement of wages*

A. The general conditions for increases in wages

How should we judge Sternberg's further claim that according to Marx, 'industrial concentration and the accumulation of capital do not lead to an increase in real wages', but to its opposite, their fall?[12] Can we give him credence at least on this point?

Marx's arguments on this subject can be found in Chapter 17 of Volume I of *Capital*, where he examines the 'changes of magnitude in the price of labour-power and in surplus-value'.[13] We discover from this that 'the relative magnitudes of surplus-value and of price of labour-power are determined by three circumstances: 1) the *length of the working day*, or the extensive magnitude of labour; 2) the *normal intensity of labour*, its intensive magnitude, whereby a given quantity of labour is expended in a given time; and 3) the *productivity of labour*, whereby the same quantity of labour yields, in a given time, a greater or a smaller quantity of the product, depending on the degree of development attained by the conditions of production.'[14] And we should remember that according to Marx a change in any one of these three factors can lead to an increase in real wages!

As far as changes in the length of the working day are concerned, it is clear that with a prolongation of the working day both the surplus-value, and the wage which the worker receives for his day's work, can simultaneously increase, 'either equally or unequally'.[15]

We read in the *Theories*: 'If one takes a given magnitude and

[12] 'Industrial concentration and accumulation do lead to an increase in the productivity of labour, but not to a subsequent increase in real wages. On the contrary . . .' (*ibid.*)

[13] The fact that Marx confined himself to the price of labour-power had good reasons, as can be seen from the passage in *Theories* quoted on p.70 above. He did so because – in order not to complicate unnecessarily the investigation of the laws of the formation of surplus-value – he had to initially conceive of the value of labour-power as 'something fixed, as a given magnitude'. Marx's *Capital* also proceeds from these methodological premises, i.e. the quantity of the 'means of subsistence habitually required by the average worker' and in this sense too, the value of labour-power, is treated as a 'constant magnitude'. (*Capital* I, p.655 (519).) This does not of course mean that the 'average quantity of necessary means of subsistence' cannot change, or grow for example, in the real capitalist world. Marx would have first dealt with this case in his intended 'special theory of wage-labour' if he had ever reached the point of carrying out this part of his plan.

[14] *Capital* I, p.655 (519-20).

[15] *ibid.* p.661 (525).

divides it into two parts, it is clear that one part can only increase in so far as the other decreases, and vice versa. But this is by no means the case with expanding (elastic) magnitudes. And the working day represents such an elastic magnitude, as long as no normal working day has been won. With such magnitudes, both parts can grow, either to an equal or unequal extent.' (i.e. both the 'paid' part corresponding to the wage, and the 'unpaid' part corresponding to surplus-value).' An increase in one is not brought about by a decrease in the other and vice versa. This is, moreover,' (disregarding any increase in the intensity of labour) 'the only case in which wages and surplus-value, in terms of exchange-value, can both increase and possibly even in equal proportions. (That they can increase in terms of use-value is self-evident).'[16]

At the present time, that is, since the defeat of fascism in 1945, this particular case does not seem to be of particular relevance. It is the reduction of the working day, rather than its prolongation, which is on the agenda in Europe today. But if one considers the enormous amount of overtime put in by workers during the present period of prosperity in most capitalist countries, this particular variant analysed by Marx becomes much more real, since it is undoubtedly true that where increases in real wages have taken place in these countries they can also be traced back to overtime.

Of much greater importance is Marx's second variant which relates to increases in the intensity of labour. This is what he says in *Capital*. 'Increased intensity of labour means increased expenditure of labour in a given time. Hence a working day of more intense labour is embodied in more products than is one of less intense labour, the length of each day being the same. Admittedly, an increase in the productivity of labour will also supply more products in a given working day. But in that case the value of each single product falls, for it costs less labour than before; whereas in the case mentioned here that value remains unchanged, because each article costs the

[16] *Theories* II, p.408. However, the increase in the value of labour in such an instance is often only apparent: 'The value of a day's labour-power is . . . estimated on the basis of its normal average duration, or the normal duration of the life of a worker, and on the basis of the appropriate normal standard of conversion of living substances into motion as it applies to human nature. Up to a certain point the increased deterioration of labour-power inseparable from a lengthening of the working day may be compensated for by making amends in the form of higher wages. But beyond this point deterioration increases in geometrical progression, and all the requirements for the normal reproduction and functioning of labour-power cease to be fulfilled.' (*Capital* I, p.664 (527).)

same amount of labour as before. Here we have an increase in the number of products unaccompanied by a fall in their individual prices . . . A given working day, therefore, no longer creates a constant value, but a variable one; in a day of 12 hours of ordinary intensity, the value created is, say, 6 shillings, but, with increased intensity, the value created may be 7, 8 or more shillings. It is clear that, *if the value created by a day's labour increases* from, say, 6 to 8 shillings, then *the two parts into which this value is divided*, namely the price of labour-power and surplus-value, may both increase *simultaneously*, and either equally or unequally . . . Here, the rise in the price of labour-power does not necessarily imply that it has risen above the value of labour-power.' (i.e. in this case the value of labour-power can also increase.)

On the other hand, the increase in the price of labour-power 'may [sometimes] be accompanied by a *fall* below its value'. This always occurs 'when the rise in the price of labour-power does not compensate for its more rapid deterioraton.'[17] Whether this has happened or not, whether only the price or also the value of labour-power rises as a consequence of a growing intensity of labour, in both cases growth in real wages can follow. The importance of this variant can be seen by looking at the indubitable fact that the high real wages of workers in the leading capitalist countries can be explained by periodic rises in the intensity of work (as Henryk Grossmann pointed out in his excellent critique of Sternberg's *Imperialism*).[18]

We now come to the most important variant: to changes in the relation between the wage and the surplus-value which are the result of the increasing productivity of labour. We read in Chapter 17 of Volume I of *Capital*. 'The value of labour-power is determined by the value of a certain quantity of the means of subsistence. It is the *value* and not the *mass* of these means of subsistence that varies with the productivity of labour. It is however possible that owing to an increase in the productivity of labour both the worker and the capitalist may *simultaneously* be able to appropriate a greater quantity of these necessaries, without any change in price of labour-power or in surplus-value. Let the value of labour-power be 3 shillings, and let the necessary labour-time amount to 6 hours. Let the surplus-value be, similarly, 3 shillings, and the surplus labour 6 hours. Now, if the productivity of labour were to be doubled without any alteration in the ratio between necessary labour and surplus labour, there would be no change in the magnitude either of the surplus-value or

[17] *Capital* I, pp.660-61 (524-25).
[18] In *Grünbergs Archiv*, 1928.

of the price of labour-power. The only result would be that each of these would represent twice as many use-values as before, and that each use-value would be twice as cheap as before. Although labour-power would be *unchanged* in price, it would have risen *above* its value. However, now assume a fall in the price of labour-power, not as far as 1/6d., the lowest possible point consistent with its new value, but to 2/10d. or 2/6d. This lower price would still represent an increased quantity of means of subsistence. In this way it is possible, given increasing productivity of labour, for the price of labour-power to fall constantly, and for this fall to be accompanied by a constant growth in the mass of the worker's means of subsistence.'[19] (And the extent of this growth clearly would depend 'on the relative weight thrown into the scale by the pressure of capital on the one side, and the resistance of the worker on the other'.)

It is just this latter variant – the case where the wage is only partially adjusted to the fall in the value of labour-power occasioned by growing productivity of labour, thus allowing the workers a certain, smaller or larger, compensation – which seems to be of particular theoretical and practical interest. According to Marx's theory of wages the value of the necessities which are physiologically indispensable only determines the lowest limit of the value of labour-power, whereas its upper limit is fixed by the 'respective powers of the parties to the struggle' i.e. capital and labour. Accordingly Marx stressed in the *Theories* 'that the workers themselves, although they cannot prevent reductions in real wages [resulting from increases in productivity], will not permit them to be reduced to the absolute minimum; on the contrary, they achieve a certain quantitative participation in the general growth of wealth.'[20] And more decisively in Marx's lecture *Wages, Price and Profit*: 'By virtue of the increased productivity of labour, the same amount of the average daily necessaries might sink from three to two shillings, or only four hours out of the working day instead of six, be wanted to reproduce an equivalent for the value of the daily necessaries. The working man would now be able to buy with two shillings as many necessaries as he did before with three shillings. Indeed the *value of labour* would have sunk but that diminished value would command the same amount of commodities as before. . . . Although the labourer's absolute standard of life would have remained the same, his relative wages,

[19] *Capital* I, p.659 (523). This is the theoretical formula which lies at the heart of the increases in real wages which have largely taken place in the latter half of the nineteenth century and the twentieth century.

[20] *Theories* III, p.312.

and therewith his *relative social position*, as compared with that of the capitalist would have been lowered.' If however, the worker, 'should resist that reduction of relative wages, he would only try to get some share in the increased productive powers of his own labour, and to maintain his former relative position in the social scale'.[21]

It must therefore follow from this that workers can participate to a certain extent in the development of the productivity of labour. In fact Marx categorically denied the theory already propounded in 1835 by the American political economist, Carey, 'that wages everywhere rise and fall in proportion to the productivity of labour'. He states that 'the whole of our analysis of the production of surplus-value shows the absurdity of this deduction . . .'.[22] For 'the increasing productivity of labour . . . is accompanied by a cheapening of the worker, i.e. a higher rate of surplus-value, even if real wages are rising'. But the latter 'never rise in proportion to the productivity of labour'.[23] (If this were to be the rule, the rate of surplus-value could never rise – and hence the production of 'relative surplus-value', and capitalism itself, would become an impossibility![24]) No wonder then that present-day bourgeois economists simply assert that there is a rigid parallelism between real wages and the productivity of labour, without being able to offer any real proof.

So much on the analysis contained in Chapter 17. It is evident that each of the variants mentioned contains the possibility of an increase in real wages. Thus – Sternberg notwithstanding – Marx was far from denying such a possibility. On the contrary, his remarks on

[21] *Wages, Price and Profit*, in *Selected Works*, pp.217-18.

[22] *Capital* I, p.705 (563).

[23] *ibid.* p.753 (604). 'In any case, because in a given country the value of labour is falling relatively to its productivity, it must not be imagined that wages in different countries are inversely proportional to the productivity of labour. In fact exactly the opposite is the case. The more productive one country is relative to another in the world market, the higher will be its wages as compared with the other. In England, not only nominal wages but also real wages are higher than on the continent. The worker eats more meat; he satisfies more needs . . . But in proportion to the productivity of the English workers their wages are not higher.' (*Theories* II, pp.16-17.)

[24] Cf. Natalie Moszkowska's essay directed against A.Braunthal, entitled '*Zur Verelendungstheorie*' in *Die Gesellschaft*, 1930, p.235: 'Braunthal disputes the relative worsening of the conditions of those without property in comparison to the propertied, or the growing disproportion between the actual, and the technically feasible living standards of workers in the course of capitalist development . . . The meaning of the passage quoted, however, is clearly this: The rate of surplus-value, or of exploitation does not rise in the course of capitalist development (or at any rate, since the organisation of the proletariat); on the contrary, it continues at more or less the same level . . .'

the accumulation of capital in particular, show the extent to which he took such an eventuality into account.

B. The economic cycle and the movement of wages

It is sufficient here to reproduce a long but very important passage from *Capital*, Chapter 25, Section 1, entitled 'A Growing Demand for Labour-Power Accompanies Accumulation if the Composition of Capital Remains the Same'.

'*Growth of capital* implies growth of its variable constituent, in other words the part invested in labour-power . . . Since the capital produces a surplus-value every year, of which one part is added every year to the original capital; since this increment itself grows every year along with the augmentation of the capital already functioning; and since, lastly, under conditions especially liable to stimulate the drive for self-enrichment, such as the opening of new markets, or of new spheres for the outlay of capital resulting from newly developed social requirements, the *scale of accumulation* may suddenly be extended *merely by a change in the proportion in which the surplus-value or the surplus-product is divided into capital and revenue* – for all these reasons the requirements of accumulating capital may exceed the growth in labour-power or in the number of workers; the demand for workers may outstrip the supply, and thus wages may rise. This must indeed ultimately be the case if the conditions assumed above continue to prevail. For since in each year more workers are employed than in the preceding year, sooner or later a point must be reached at which the requirements of accumulation begin to outgrow the customary supply of labour, and a rise of wages therefore takes place.'

It is of course true that 'under the conditions of accumulation assumed so far, conditions which are the most favourable to the workers, their relation of dependence on capital takes on forms which are endurable. . . . Instead of becoming more intensive with the growth of capital, this relation of dependence only becomes more extensive, i.e. the sphere of capital's exploitation and domination merely extends with its own dimensions and the number of people subjected to it. A larger part of the workers' own surplus-product, which is always increasing and is continually being transformed into additional capital, comes back to them in the shape of means of payment, so that they can extend the circle of their enjoyments, make additions to their consumption fund of clothes, furniture etc. and lay by a small reserve fund of money. But these things no more

abolish the exploitation of the wage-labour, and his situation of dependence, than do better clothing, food and treatment, and a larger *peculium* in the case of the slave. A rise in the price of labour, as a consequence of the accumulation of capital, only means in fact that the length and weight of the golden chain[25] the wage-labourer has already forged for himself, allow it to be loosened somewhat.' It implies 'at the best of times *a merely quantitative reduction* in the amount of unpaid labour the worker has to supply. This reduction can never go so far as to threaten the system itself.' This is because: 'Either the price of labour keeps on rising, because its rise does not interfere with the progress of accumulation . . . In this case it is evident that a reduction in the amount of unpaid labour in no way interferes with the extension of the domain of capital. Or, the other alternative, accumulation slackens as a result of the rise in the price of labour, because the stimulus of gain is blunted. The rate of accumulation lessens; but this means that the primary cause of that lessening itself vanishes, i.e. the disproportion between capital and exploitable labour-power. The mechanism of the process of capitalist production removes the very obstacle it temporarily creates. The price of labour falls again to a *level corresponding with capital's requirements for self valorisation*, whether this level is below, the same as, or above that which was normal before the rise of wages took place.'

Marx concludes, 'The rise of wages is therefore confined within limits that not only leave intact the foundations of the capitalist system, but also secure its reproduction on an increasing scale. The law of capitalist accumulation . . . in fact expresses the situation that the very *nature* of accumulation excludes every diminution in the degree of exploitation of labour, and every rise in the price of labour, which could seriously imperil the continual reproduction, on an ever larger scale, of the capital-relation.'[26]

The reader will have to excuse this long quotation. It was necessary, in order to show that Marx underlined not only the possibility, but also the necessity of an increase in real wages during the prosperity phase of the industrial cycle. In fact, the 'growing demand for labour-power' is examined in the section quoted under the assumption that the 'composition of capital remains the same'. That is, without taking into account the existence of the 'industrial reserve army'. However, we shall see later that this represents merely a counter-tendency, which although considerably modifying the tendency of

[25] A metaphor borrowed from the utopian socialist Bray. (See *Wages. Collected Works*, Vol.6, p.422.)

[26] *Capital* I, pp.763, 768-70, 771-72 (613, 617-18, 619).

the formation of wages described in the same section, by no means annuls it.[27] But before this we must look briefly at Marx's very important doctrine of 'relative wages'.

3. *Marx's doctrine of relative wages*

As early as 1849, Marx wrote in his essay *Wage-Labour and Capital*: 'But neither nominal wages, that is, the sum of money for which the worker sells himself to the capitalist, nor real wages, that is, the sum of commodities which he can buy for this money, exhaust the relations contained in wages. Wages are, above all, also determined by their relation to the gain, to the profit of the capitalist – comparative, relative wages. Real wages express the price of labour in relation to the price of other commodities; relative wages, on the other hand, express the share of direct labour in the new value it has created in relation to the share which falls to accumulated labour, to capital.'

And further: 'A house may be large or small; as long as the surrounding houses are equally small it satisfies all social demands for a dwelling. But let a palace arise beside the little house, and it shrinks from a little house to a hut. The little house shows now that its owner has only very slight or no demands to make; and however high it may shoot up in the course of civilisation, if the neighbouring palace grows to an equal or even greater extent, the occupant of the relatively small house will feel more and more uncomfortable, dissatisfied and cramped within its four walls.'

The same applies to the position of the working class under capitalism: 'Real wages may stay the same, they may even rise, and yet relative wages may fall. Let us suppose, for example, that all means of subsistence have gone down in price by two-thirds while wages per day have only fallen by one-third, that is to say, for example, from three marks to two marks. Although the worker can command a greater amount of commodities with these two marks than he previously could with three marks, yet his wages have gone down in relation to the profit of the capitalist. The profit of the capitalist (for example the manufacturer) has increased by one mark; that is for a smaller sum of exchange-values which he pays to the

[27] Even in Volume III, where Marx dropped the assumption of a constant organic composition, he repeatedly pointed to the necessity of wage increases during the prosperity phase of the industrial cycle (e.g. *Capital* III, p.252).

worker, the latter must produce a greater amount of exchange-values than before. The share of capital relative to labour has risen. The division of social wealth between capital and labour has become still more unequal. With the same capital, the capitalist commands a greater quantity of labour. The power of the capitalist class over the worker has grown, the social position of the worker has deteriorated, has been depressed one step further below that of the capitalist.'[28]

This does not represent anything fundamentally new; similar reasoning could already be found in Ricardo,[29] Cherbuliez,[30] and others. What *is* fundamental is the special weight which Marx attaches to the category of 'relative wages', as well as the far-reaching theoretical and practical conclusions he drew from it. Indeed, only in Marx do we find the 'law of the tendential fall of relative wages' (so named by Rosa Luxemburg),[31] by which the 'reciprocal distance' between the working class and the capitalist class – which is of decisive importance here[32] – necessarily grows. Its effects can therefore only be overcome by means of a socialist transformation of the economy.

Rosa Luxemburg has earned the credit for bringing this aspect of Marx's theory of wages into its true light. We read in her *Ein-*

[28] *Wage-Labour and Capital. Selected Works,* pp.83-85.

[29] Cf. the passage from Ricardo quoted in *Theories* II, p.424: 'It is not by the absolute quantity of produce obtained by either class, that we can correctly judge the rate of profit, rent, and wages, but by the quantity of labour required to obtain that produce. By improvements in machinery and agriculture, the whole produce may be doubled; but if wages, rent, and profit be also doubled, these three would bear the same proportions to one another as before, and neither could be said to have relatively varied. But if wages partook not of the whole of this increase; if they, instead of being doubled, were only increased one half . . . it would, I apprehend, be correct for me to say that . . . wages had fallen while profits had risen; for if we had an invariable standard by which to measure the value of this produce, we should find that a less value had fallen to the class of labourers . . . and a greater to the class of capitalists, than had been given before.' Marx says in this context: 'It is one of Ricardo's great merits that he examined relative or proportionate wages, and established them as a definite category. Up to this time, wages had always been regarded as something simple and consequently the worker was considered an animal. But here he is considered in his social relationships.' (*ibid.* p.419.)

[30] Cf. *Theories* III, p.396.

[31] See Rosa Luxemburg, *Ausgewählte Reden und Schriften,* II, p.100.

[32] Cf. *Grundrisse,* p.597: 'Further, in the struggle between the two classes – which necessarily arises with the development of the working class – the measurement of the distance between them, which, precisely, is expressed by wages itself as a proportion, becomes decisively important.' For 'the position of the classes to one another depends more on relative wages than on the absolute amount of wages'. (*Theories* III, p.419.)

führung in die Nationalökonomie: 'Capitalist production cannot take one step forward without squeezing the workers' share of the social product. With every new technical discovery, improvement of machinery, every new application of steam and electricity in production and commerce, the worker's share in the product gets smaller, and that of the capitalist, larger.' It is this 'quite invisible power, a simple mechanical effect of commodity production and competition, which deprives the worker of a larger share of his product . . . The personal role of the exploiter is still visible where the question is that of absolute wages, i.e. real living standards. A wage reduction, which leads to a depression of the real standard of living of the workers, is a visible attack by the capitalists against the workers, and will be responded to with an immediate struggle wherever the influence of the unions extends . . .'

The situation is quite different where an invisible reduction in wages takes place as the result of straightforward technical progress, inventions, the introduction of machines, improvements in transportation etc. 'The effects of all these forms of progress on the relative wage of the worker result quite automatically from commodity production and the commodity-character of labour-power . . . Thus the struggle against the fall in relative wages also implies a struggle against the commodity-character of labour-power i.e. against capitalist production as a whole. Thus the struggle against the fall in relative wages is no longer a struggle on the basis of the commodity economy, but a revolutionary, subversive attack on the existence of this economy; it is the socialist movement of the proletariat.'[33]

It now becomes clear why Marx fought so fiercely against Lassalle's 'iron law of wages'. Not only because it was built upon Malthus's doctrine of population, and contradicted the facts; but also because it completely overlooked the category of 'relative wages', and the revolutionary objectives which emerge from it. Marx's own economic theory led to the discovery that the system of wage-labour is fundamentally 'a system of slavery, and indeed of a slavery which becomes more severe in proportion as the social productive forces of labour develop, whether the worker receives better or worse payment',[34] and that consequently the evil of this system can only be overcome with the abolition of wage-labour itself.

'And after this understanding has gained more and more ground in our Party,' he wrote bitterly in the *Critique of the Gotha Programme*, 'one returns to Lassalle's dogmas . . . It is as if, among slaves

[33] Rosa Luxemburg, *Ausgewählte Reden und Schriften* I, pp.717, 719-20.
[34] *Critique of the Gotha Programme. Selected Works*, p.325.

who have at last got behind the secret of slavery and broken out in rebellion, a slave still in thrall to obsolete notions were to inscribe on the programme of the rebellion: Slavery must be abolished because the feeding of slaves in the system of slavery cannot exceed a certain low maximum!'[35]

So much then on the doctrine of 'relative wages'. It was important to look at this doctrine because without it we cannot place Marx's theory of wages in its proper context.[36] It demonstrates that it is not decisive for marxist political and economic theory whether real wages rise or fall – regardless of how important this special question might be in other contexts; and when those who criticise Marx concentrate their attack directly upon this point, all they prove is how little they have grasped the real essence of his theory of wages.

4. *The industrial reserve army as regulators of wages*

Until this point we have been able to confine ourselves to a simple repetition of Marx's line of reasoning; however, we now come to a point where some critical reservations would seem to be in order.

These are in no way related to the essence of the matter, as the existence of either an industrial reserve army in capitalism, or the significant effect which it exercises on the structure of wages is undeniable. However, sections 3 and 4 of the chapter on accumulation devoted to this theme in *Capital* Volume I seem to exhibit gaps which could lead to incorrect conceptions, and have actually done so. What is Marx's theory in these two sections? In the first place, that the rise in the organic composition of capital, which is necessarily bound up with the progress of capitalist production, would have to lead to a proportionate reduction in the variable part of capital, intended for the purchase of labour-power. Of course, capitalist production continually extends itself, and as a consequence the demand for labour-power grows too, in the long run; but it grows in a 'continually *declining proportion*'. The situation was quite different in capitalism's period of infancy: 'The composition of capital under-

[35] *ibid.*
[36] 'In the last analysis it means only grasping half of the law of wages, if one has only recognised the movement of absolute wages. The law of the mechanical fall of relative wages is only fully completed by the capitalist law of wages.' (Rosa Luxemburg, *op. cit.* p.725.) The fact that Henryk Grossmann rebuked Luxemburg for an 'unbelievably barbaric mutilation of Marx's theory of wages', is only of note as a curiosity. (*Das Akkumulations- und Zusammenbruchsgesetz*, p.585.)

went only very gradual changes. By and large therefore, the proportional growth in the demand for labour has corresponded to the accumulation of capital.'[37] However, this was a period in which the variable capital, laid out in the form of wages, heavily outweighed that laid out for machinery, i.e. in which 'manufacture still predominated and large-scale industry was only in its infancy'.[38] At that time one could share Adam Smith's view that the accumulation of capital was identical with a continuously rising demand for labour, and a continual rise in wages, and that the level of wages was simply determined by the relation of the absolute number of workers to the size of the productive capital.

In fact the development of large-scale industry has rendered this optimistic view obsolete. Capitalists were compelled, 'on pain of extinction', to constantly introduce new machinery and perfect the machinery they already had; but 'perfection of machinery means making human labour superfluous'.[39] Owing to the expansion of the machine system, the relation of constant to variable capital must change to the advantage of the former. However, since 'the demand for labour is determined not by the extent of the total capital but by its variable constituent alone, *that demand falls progressively with the growth of the total capital*, instead of rising in proportion to it, as was previously assumed. It falls relatively to the magnitude of the total capital, and at an accelerated rate, as this magnitude increases.'[40] This tendency explains the empirically given fact of a relative surplus population of workers, i.e. a population which exceeds the average valorisation requirements of capital. The surplus population is expressed in enormous armies of unemployed during periods of crisis, which almost trickle away during periods of high prosperity, but always remain in existence.[41] The burden of providing this population with a miserable level of subsistence falls partly on society and partly on the employed work-force. What function does this surplus population have in capitalist production? It is indispensable to capital for two reasons. Firstly, it places at its disposal 'a mass of human material which can be exploited . . . for capital's changing valorisation requirements', which it can either employ, or put onto the streets, according to the general level of economic

[37] *Capital* I, p.785 (633).
[38] *Theories* III, p.335.
[39] Engels, *Anti-Dühring*, p.324.
[40] *Capital* I, p.781 (629).
[41] Even in the present phase of prosperity there are still millions of unemployed in the USA.

activity. 'Capitalist production can by no means content itself with the quantity of disposable labour-power which the natural increase of population yields. It requires for its unrestricted activity an industrial reserve army which is *independent of these natural limits*.'[42] And secondly, the industrial reserve army acts as a powerful regulator of wages which holds the wage demands of the work-force in check. For, in a developed capitalist society, it is precisely the fact of '*relative surplus population which is the background against which the law of the demand and supply of labour does its work. It confines the field of action of this law to the limits absolutely convenient to capital's drive to exploit and dominate the workers.*'[43] During periods of economic stagnation and at the beginning of upswings it presses down on the 'active army of workers', by not allowing them to push their wage demands too high; and in periods of crisis it often prevents them from making use of their right to strike, to defend themselves against capital's offensive against their living standards. In this sense, 'the general movements of wages are exclusively regulated by the expansion and contraction of the industrial reserve army, and this in turn corresponds to the periodic alternations of the industrial cycle.' They are not regulated 'by the variations of the absolute numbers of the working population, but by the varying proportions in which the working class is divided into an active army and a reserve army, by the increase or diminution in the relative amount of the surplus population, by the extent to which it is alternately absorbed and set free.'[44]

These are the most general elements of the theory of the industrial reserve army. In addition we should note the following.

In the first place it is evident that no conclusions as to the size

[42] *Capital* I, p.788 (635).
[43] *ibid.* p.792 (639). The situation was quite different in the last century in the colonies proper, i.e. in countries, such as North America, Australia etc, which were settled by white immigrants. We read in Marx's lecture *Wages, Price and Profit*: 'In colonial countries the law of supply and demand favours the working man. Hence the relatively high standard of wages in the United States. Capital may there try its utmost. It cannot prevent the labour market from being continuously emptied by the continuous conversion of wage-labourers into independent, self-sustaining peasants. The position of wage-labourer is for a very large part of the American people but a probational state, which they are sure to leave within a longer or shorter term.' (*Selected Works*, p.225.) Of course this exceptional situation in North America has long since ceased to prevail; however, the present high wages of the workers there can be traced back to this historical state of affairs.
[44] *Capital* I, p.790 (637).

and specific weight of the industrial reserve army can be drawn from the simple fact of the proportional decrease in the variable part of capital. Everything depends on the concrete conditions: on the one hand, on the extent and speed with which the organic composition rises, as well as the length of the 'intermediate pauses . . . in which accumulation works as a simple extension of production, on a given technical basis';[45] and on the other hand, on the momentum of the process of accumulation itself. It is therefore eminently possible that where capital is strongly expanding and where a large internal (or external) market is at the disposal of the capitalist class, the demand for labour-power could, in the long run grow to such an extent that the disadvantageous consequences of the industrial reserve army could be considerably reduced. (See the development in the USA up to the great depression of 1929.)

Secondly, Marx himself suggests in another passage that the industrial reserve army is more or less absorbed during periods of prosperity i.e. it virtually disappears.[46] When this occurs its effects on the level of wages are consequently cancelled out for a time, or at least reduced.

Thirdly, in the chapter on Accumulation in Volume I, Marx stresses the fact that capital can 'increase its supply of labour more quickly than its demand for workers', by extorting a larger quantity of work from the same number of employed workers, (by) prolonging working-time. 'The overwork of the employed part of the working class swells the ranks of its reserve, while, conversely, the greater pressure that the reserve by its competition exerts on the employed workers forces these to submit to overwork and subjects them to the dictates of capital . . . *The production of a relative surplus population*, or the *setting free of workers*, therefore proceeds still more rapidly than the technical transformation of the process of production that accompanies *the advance of accumulation and is accelerated by it*, and more rapidly than the corresponding diminution of the variable part of capital as compared with the constant.'[47] However, it is clear that this factor, which accelerates the formation of the

[45] *ibid.* p.782 (629).

[46] 'The reverse takes place in periods of prosperity . . . Not only does the consumption of necessities increase. The working class (now actively reinforced by its entire reserve army) also momentarily enjoys articles of luxury ordinarily beyond its reach, and those articles which at other times only constitute, for the greater part, necessary articles of consumption for the capitalist class.' (*Capital* II, p.414.)

[47] *Capital* I, p.789 (635-36).

industrial reserve army, can no longer play the same role as it did in Marx's time, as the introduction of the forty-eight-hour, and then the forty-hour week, and factory legislation, have served to check the exploitative practice of prolonging working-time.

And finally, we already find references in *Capital* to the role of the trade unions, who try 'to organise planned co-operation between the employed and unemployed in order to obviate or weaken the ruinous effects of this natural law of capitalist production [i.e. the law of the surplus working population] on their class'.[48] Clearly this aspect of trade-union activity is of even greater significance today!

It is clear that these are factors which are able to compensate, in part, for the detrimental effect which the industrial reserve army has on wages – factors which surely contributed to the fact that the standard of living of workers not only did not fall in the leading capitalist countries, but actually improved. However, Marx did not deal with these factors in his analysis for methodological reasons, a fact which must have caused his brilliant analysis of the industrial reserve army to be misinterpreted, and drawn numerous marxists to the false supposition that this was not a description of a general historical tendency, but a concrete prognosis for future decades.[49] This must also be the explanation for the fact that bourgeois and reformist caricatures of Marx's conception, such as the so-called 'immiseration theory', could never be adequately refuted from the marxist camp.

5. *The so-called 'theory of immiseration'*

However, didn't Marx himself propose the immiseration theory, and isn't it one of the cornerstones of the marxist system?

Not at all. As evidence against this we have Marx's fierce attack on the conception of the 'physiological minimum of existence', and hence on Lassalle's 'iron law of wages' as well. Without the conception of a physiological minimum of existence the theory of an inevitable and absolute 'immiseration' of the working class is utterly inconceivable. One therefore has a choice: either one admits that Marx rejected the theory of the physiological minimum of existence, in which case one may not lay the theory of immiseration at his door;

[48] *ibid.* p.793 (640).

[49] We refer to the sentence which reads in regard to the industrial reserve army: 'This is the absolute general law of capitalist accumulation. Like all other laws it is modified in its working by many circumstances, the analysis of which does not concern us here.' (*ibid.* p.798 (644).)

or, one denies it, in which case one is obliged – against better judgement – to classify Marx as an advocate of the 'iron law of wages' . . . which is and always has been precisely the position adopted by those who proclaim the legend of Marx's 'immiseration theory'.

But we should remember that we wish to remain on the terrain of theory. The question is not how Marx and Engels judged the concrete movement of wages at such and such a time in England and on the Continent,[50] but simply this; whether the necessity of a progressive and absolute worsening of the position of the working class (or its 'immiseration') proceeds from Marx's economic system, and the laws of development of capitalist society, as he elaborated them? Whether it is correct that, according to Marx, the concentration and accumulation of capital would not lead to a rise in real wages, but on the contrary to a fall – as Sternberg maintained, for example? Marx's opposition to the idea of a physiological minimum of existence would on its own lead to an emphatic rejection of this view. Nevertheless, even great thinkers can sometimes be inconsistent, and propose contradictory theorems. What is therefore crucial is whether it is possible to find any argumentation in Marx's economic system, which refers to the inevitability of not only a relative, but rather an absolute, worsening of the condition of the working class under capitalism.[51]

The works to be taken into consideration are naturally only the economic works proper, such as the *Grundrisse* (1857-58,) the *Theories of Surplus-Value* (1861-63) and *Capital*, which Marx wrote in the period of his maturity. For we can still read in the *Communist Manifesto*, written in 1847: 'The serf, in the period of serfdom, raised himself to membership in the commune, just as the petty bourgeois, under the yoke of feudal absolutism, managed to develop into a bourgeois. The modern labourer, on the contrary, instead of rising with the progress of industry, sinks deeper and deeper below the conditions of existence of his own class. He becomes a pauper, and pauperism develops more rapidly than population and wealth.'[52]

The *Communist Manifesto* is the only place where we may find the doctrine that wages are at their minimum, a doctrine Marx later

[50] We shall see later that they judged the tendencies of the movement, according to the concrete circumstances of the time, in very different ways (and often very pessimistically).

[51] We do not speak of 'immiseration' here, as this terminology seems to us (especially in connection with the term 'relative') contradictory and misleading.

[52] *Communist Manifesto. Selected Works*, p.45.

abandoned.[53] However, regardless of the enormous significance the *Manifesto* has as a document in the history of ideas, no-one would look there for the quintessence of Marx's economic theories. Consequently the passage proves nothing in relation to our present problem, and it is better to treat it with great reserve in this context. Let us therefore return to Marx's economic works proper. Here, the question surely revolves around the well-known passage in *Capital* which reads: '. . . within the *capitalist system* all methods for raising the social productivity of labour are put into effect at the cost of the individual worker; all means for the development of production undergo a dialectical inversion so that they become means of domination and exploitation of the producers; they distort the worker into a fragment of a man, they degrade him to the level of an appendage of a machine, they destroy the actual content of his labour by turning it into a torment; they alienate from him the intellectual potentialities of the labour process in the same proportion as science is incorporated in it as an independent power. . . . But all methods for the production of surplus-value are at the same time methods of accumulation, and every extension of accumulation becomes, conversely, a means for the development of those methods. It follows therefore that in proportion as capital accumulates the situation of the worker, *be his payment high or low*, must grow worse.'

And following on from this the sentence which is quoted so often, but usually out of context: 'Finally, the law which always holds the *relative surplus population* or *industrial reserve army in equilibrium with the extent and energy of accumulation* rivets the worker to capital more firmly than the wedges of Hephaestus held Prometheus to the rock. It makes an *accumulation of misery* a necessary condition, corresponding to the *accumulation of wealth*. Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, the torment of labour,[54] slavery, ignorance, brutalisa-

[53] *ibid.* p.47. 'The average price of wage-labour is the minimum wage. i.e. that quantum of the means of subsistence, which is absolutely requisite to keep the labourer in bare existence as a labourer. What therefore, the wage-labourer appropriates by means of his labour merely suffices to prolong and reproduce a bare existence.'

[54] Cf. *Capital* I, p.796 (643): 'The third category of the relative surplus population, the stagnant, forms a part of the active labour army, but with extremely irregular employment . . . It is characterised by a maximum of working-time and a minimum of wages. We have already become familiar with its chief form under the rubric of "domestic industry".' (By the way, it is utterly mistaken to identify the industrial reserve army with 'unemployment', as Sternberg does [*Marx und die Gegenwart*, p.55]. The two concepts in no way coincide.)

tion and moral degradation at the opposite pole, i.e. on the side of the class that produces its *own product as capital*.'[55] It was necessary to quote this passage in full because it is, in fact, the only statement in *Capital* which those critics of Marx who want to attribute the 'immiseration thesis' to him can rely on with any semblance of justification.[56] However, even this semblance disappears on closer examination. What does this passage really mean? Does the last sentence, which speaks of an 'accumulation of misery' in any way negate the preceding sentence which only asserts a relative worsening in the condition of the working class? Not at all. The last sentence merely states that the industrial reserve army grows simultaneously with the growth in accumulation; that consequently, an ever larger part of the work-force becomes superfluous and therefore falls victim to misery, ignorance, brutality and moral degradation. Thus the 'accumulation of misery' relates solely to the 'lazarus-layers of the working class'[57] and not to the working class as a whole. (Or else one would have to suppose that Marx expected this 'ignorant, brutalised and

[55] *Capital* I, p.799 (645). The last sentence is repeated in a somewhat changed version on p.929 (763). It reads: 'Along with the constant decrease in the number of capitalist magnates . . . the mass of misery, oppression, slavery, degradation, and exploitation grows; but with this there also grows the revolt of the working class, a class constantly increasing in numbers, and trained, united, and organised by the very mechanism of the capitalist process of production.'

[56] In fact, Fritz Sternberg found another passage, which he cites on p.261 of his book: 'Marx writes, for example in *Wages, Price and Profit*: "These few hints" (on the rising organic composition of capital) "will suffice to show that the very development of modern industry must progressively turn the scale in favour of the capitalist against the working man and that consequently the general tendency of capitalistic production is not to raise, but to sink the average standard of wages, or to push the value of labour more or less to its minimum limit".' However, Sternberg prudently omits the following sentence, which reads: 'Such being the tendency of things in this system, is this saying that the working class ought to renounce their resistance against the encroachments of capital, and abandon their attempts at making the best of the occasional chances for their temporary improvement? If they did, they would be degraded to one level mass of broken wretches past salvation.' (*Selected Works*, p.225.) It has to be admitted that this additional sentence changes the entire complexion of things, and that, according to Marx, the tendency of capitalist production to push the value of labour-power down to its lowest limit, can only go ahead in the absence of a counter-tendency: namely the action of the working class!

[57] Cf. the following passage in *Capital* I, p.798 (644): 'The greater the social wealth, the functioning capital, the extent and energy of its growth . . . the greater is the industrial reserve army . . . But the greater this reserve army in proportion to the active labour-army, the greater is the mass of a con-

morally degraded' working class to establish socialism – something which might perhaps be asserted by Bakunin, but not by Marx!)

In addition, a comparison between Volume I of *Capital*, from which the above quotation is taken, and the *Inaugural Address*, written three years earlier (1864), proves that Marx was far from thinking of an absolute 'immiseration' of the working class as a whole at the time of the publication of *Capital*. We read in the 1864 address: 'Indeed, with local colours changed, and on a scale somewhat contracted, the English facts reproduce themselves in all the industrious and progressive countries of the Continent. In all of them, there has taken place, since 1848, an unheard of development of industry and an undreamed of expansion of imports and exports . . . In all of them, as in England, a minority of the working classes got their *real wages* somewhat advanced; while in most cases the *monetary rise of wages* denoted . . . no real access of comforts. . . . Everywhere the great mass of the working classes were sinking down to a lower depth, at the same rate, at least, that those above them were rising in the social scale.' (Yet another indication, therefore, that even at this time Marx was already reckoning with the possibility of a no more than relative worsening of the situation of the working class.) 'In all countries of Europe it has now become a truth . . . that no improvement of machinery, no appliance of science to production, no contrivances of communication, no new colonies, no emigration, no opening of markets, no free trade, nor all these things put together, will do away with the miseries[58] of the industrious masses; but that, on the present false basis, every fresh development of the productive powers of labour must tend' (in the sense of the doctrine of 'relative wages') 'to deepen social contrasts and sharpen social antagonisms.'[59]

This is Marx's view, which, as research in economic history has demonstrated, corresponds with the prevailing situation at that time (1849-64). But if this represents Marx's assessment of the position of the European working class, how can Sternberg, Strachey et al.[60]

solidated surplus population, whose misery is in inverse ratio to the amount of torture it has to undergo in the form of labour. The more extensive, finally, the pauperised sections of the working class and the industrial reserve army, the greater is official pauperism.'

[58] It is true that Marx speaks of 'misery' here; however the question is whether, in his opinion, 'misery' must be intensified with the development of capitalism; only then could one ascribe a 'theory of immiseration' to him.

[59] Marx-Engels, *Selected Works* in three volumes, Vol.2, Moscow, 1969, pp.14-15.

[60] Strachey's critique in particular seems to us incomprehensible. What is one supposed to say, for example, to his assertion that, according to Marx, 'not only would there be no improvement in the conditions of the wage earners

maintain that three years later he arrived at a theory in *Capital* according to which real wages would have to fall, under all circumstances, and the situation of the working class would necessarily become progressively worse – not merely relatively, but absolutely! This is all the more unlikely as we possess statements from a later period, which, it must be assumed, were unknown to Sternberg and Strachey, and which prove the exact opposite of what they claim. In 1881, during Marx's lifetime, Engels wrote the following, certainly with Marx's agreement and 14 years after the publication of Volume I of *Capital*.[61] 'The great merit of trade unions, in their struggle to keep up the rate of wages and to reduce working hours, is that they tend to keep up and to raise the standard of life. There are many trades in the East End of London whose labour is not more skilled and quite as hard as that of bricklayers and bricklayers' labourers, yet they hardly earn half the wages of these. Why? Simply because a powerful organisation enables the one set to maintain a comparatively high standard of life as the rule by which their wages are measured; while the other set, disorganised and powerless, have to submit not only to unavoidable but also to arbitrary encroachments of their employers . . . The law of wages, then, is not one which draws a hard and fast line. It is not inexorable within certain limits. There is at every time (great depression excepted) for every trade a certain latitude within which the rate of wages may be modified by the results of the struggle between the two contending parties. Wages in every case are fixed by a bargain, and in a bargain he who resists longest and best has the greatest chance of getting more than his due. If the isolated workman tries to drive his bargain with the capitalist he is easily beaten and has to surrender at discretion; but if a whole trade of workmen form a powerful organisation, collect among themselves a fund to enable them to defy their employers if need be, and thus become enabled to treat with these employers as a power, then, and only then, have they a chance to get even that pit-

as total production increased, but capitalism would, as it were, overstep its own normal laws and actually force down the standard of life of the workers below its true value, which was subsistence level'. (*Contemporary Capitalism*, p.119)? Where did Strachey read all this? Or let us take his explanation of the well-known dispute over the 'iron law of wages'; namely, that Marx only went against Lassalle because he wanted to use the trade unions for the 'revolutionary overthrow of capitalism' – although, from a theoretical point of view he believed in the doctrine of the 'physiological minimum of existence', just like Lassalle etc., etc.

[61] See *MEW* Vol.35, pp.19-20.

tance which according to the economical constitution of present society, may be called a fair day's wages for a fair day's work.'[62]

That was Engels writing in 1881. And he was merely being consistent when he objected ten years later to the sentence in the draft of the Erfurt Programme which read: 'The number and misery of the proletarians becomes ever larger.' He wrote: 'The organisation of the workers, their continually growing resistance possibly serves to set up a certain barrier against the growth of poverty. What certainly does grow is the insecurity of existence.'[63] This is a formulation which we can and must return to today, for, in one part of the capitalist world at least, 'a barrier' has actually been erected against direct, physical poverty.[64] And perhaps an observer who regards the present position through rose-tinted spectacles could conclude from this – in contradiction to the *Communist Manifesto* – that the bourgeoisie in the leading capitalist countries is really capable of 'securing the existence of their slaves, even within their slavery', and that consequently the rule of capital has finally been firmly established. However, the amelioration, or even the elimination of physical poverty is not everything. The major threat to the workers of even the most advanced capitalist countries, and now more than ever before, is the insecurity of their existence: the fact that they have to pass their lives in the shadow of overwhelming crises and wars. Nothing has shown the slightest sign, as yet, of putting a final end to this evil.

Can Engels's remarks be reconciled with some variant of the 'theory of immiseration'? Surely not. Even if these statements are thought of as a 'fighting retreat', as a form of self-criticism, which the founders of marxism made of their earlier views; for in that case it is impossible to see why it should still be necessary to mount an attack on a theory which Engels had quite clearly already rejected in 1881.

Our study of the theory of immiseration has shown that even from a 'semantic' aspect this theory must be consigned to the realm of scientific misunderstanding. The real question is, of course, not how the word 'misery' should be interpreted in Marx's works, but whether the 'theory of immiseration' attributed to Marx can be reconciled with his theory of the determination of the value of labour-power, his polemic against the 'iron law of wages', and his

[62] Engels, articles from the *Labour Standard* in *Engels: Selected Writings*, 1967, pp.102-03.

[63] Engels, *MEW* Vol.22, p.231.

[64] However, one must also consider the North American black population, millions of whom scratch a living which, by present-day standards, has to be characterised as 'misery'.

theses on the connection between growing intensity and productivity of labour and increases in real wages? In fact we can probably risk the hypothesis that even if Marx had proposed an 'immiseration theory' he would have had to reject it as being in contradiction with the real spirit and content of his theory of wages.

But this should not be taken to mean that the legend of Marx's 'theory of immiseration' is totally without foundation : most scientific misunderstandings have their rationale and are based on actual states of affairs which supply the opportunity for them to be propounded. This also applies in this case. Between the 1840s and the 1860s the situation of the European working class appeared hopeless. This fact was bound to colour the theoretical conceptions of that epoch. Progress was, relatively speaking, so slight and proceeded at such a snail's pace, the actual poverty of the working class was still so immense, that all socialists (and especially revolutionary socialists) were extremely pessimistic about the possibility of any noticeable improvement in the situation of the worker and were consequently inclined towards an 'immiseration theory'. Marx too was naturally in thrall to this empirical fact, and his scientific stature shows itself precisely in the fact that he did not allow himself to be entirely dominated by it in his economic theory . . . However, one thing can be conceded to Marx's critics: Marx (and Engels) often overestimated the weight of the factors depressing the condition of the proletariat, and they therefore did not look closely at the possibility of a significant rise in the living standards of the workers, even in the leading capitalist countries. And so in this sense the severe critics (who have the added advantage of writing almost one hundred years after Marx and Engels) are able to accuse the two thinkers of a 'lack of foresight'. But they should also realise that this has nothing at all to do with Marx's theory of wages.

6. *The kernel of truth in the 'theory of immiseration'*

This is not to claim there are no tendencies towards immiseration in the real capital world; there are more than enough of them – but one has to know where to look. In fact such tendencies emerge clearly in two spheres : firstly (temporary) in all times of crisis, and secondly (permanent) in the so-called underdeveloped areas of the world, which includes not only South and Central America, Asia and Africa, but also the backward capitalist countries of Central and Western Europe (Greece, parts of Italy, Spain and Portugal).

As far as the immiseration of workers during periods of crisis

is concerned, we do not have to waste words. Even the world's labour aristocracy – the North American working-class – is not invulnerable, as the experiences of the twelve-year world crisis from 1929 to 1940 show. (Even in the USA there were still 10 million unemployed in 1940!) Naturally, bourgeois economic historians do not like to be reminded of this fact, and prefer to overlook this particularly troublesome contradiction. But not only that; they do not even recognise the existence of the industrial reserve army as it does not appear in the official wages statistics. Rosa Luxemburg wrote on this : 'In representing capitalist wage relations it is quite wrong only to take into account the wages actually paid to the employed industrial workers . . . The entire reserve army of the unemployed, from the temporary unemployed skilled worker down to the deepest levels of poverty and official pauperism, enters into the determination of wage relations as an equal factor.' For 'the lowest strata of the rarely employed or totally unemployed destitutes and outcasts are not a kind of excrescence . . . but are, on the contrary, connected through all the intermediate links of the reserve army with the topmost and best situated layer of industrial workers by means of internal, living bonds. This inner connection shows itself in numerical terms through the periodic sudden growth in the lower strata of the reserve army in periods when business is poor, and through its contraction during more prosperous periods, and further through the relative reduction in the number of those taking refuge in public charity with the development of the class struggle, and the consequent raising of self-confidence amongst the proletarian masses.' And therefore : 'The living situation of the deepest layers of the proletariat is moved by the same laws of capitalist production, pulled up and down; . . . the proletariat constitutes one social class, an organic whole, together with the broad stratum of agricultural workers, with its army of unemployed and with all its layers from the highest to the lowest; a class from whose different levels of poverty and oppression it is possible to grasp the capitalist law of wages on the whole correctly.'[65] However, if this is done, if the position of the working class, both that of the employed and unemployed workers, is taken into account, not only in periods of prosperity but also those of crisis, then the picture painted by the optimistic economists is naturally a much gloomier one and it becomes impossible to deny the presence of tendencies towards immiseration in present-day capitalism, as well.

A study of the so-called 'underdeveloped areas' leads to the same conclusions. It is naturally very pleasant that the industrial

[65] Rosa Luxemburg, *Ausgewählte Reden und Schriften* I, pp.724-25.

workers of the USA possess for the most part their own houses and cars; but how does it come about that the workers from neighbouring Latin America have nothing of the kind, and have to make do, for the most part, with inhumanly low wages? How is it that a North American worker often earns ten times as much as, for example, someone of the same class in Guatemala? And is it really valid to write scholarly treatises on the alleged unbroken improvement in the position of workers in capitalism, if one only takes into account the living standards in the most highly developed capitalist countries? It will be replied: yes, the latter countries are characteristic of capitalism, and it is in fact only in these countries that the position of workers can be regarded as 'normal'; and when areas like Guatemala achieve the same level of labour productivity then workers in these countries will participate in the blessings of capitalism, in the shape of high real wages . . . Our task here is not, however, to look at what might come about, but what actually is the case; not the condition of workers in some imaginary capitalist millenium, but in the real capitalist world, as it exists today. And further: who can say that it is the position of North American, Australian and English workers which is 'normal' whilst that of the rest of the world is 'abnormal'? Doesn't the capitalist world constitute a whole, in which both the highly developed nations (mostly the ruling ones), and the underdeveloped (the ruled and exploited ones) are to be seen as integral parts? And isn't the high standard of living of the workers in the highest developed countries for the most part a product of the fact that the workers of other countries do not possess such a standard of living?

At this point we have to turn back to Marx's theory of the exploitation of the capitalistically underdeveloped nations (primarily agricultural populations) by the highly developed capitalist nations. We do not mean here colonies or semi-colonies in the strict sense, but rather countries which may well be politically 'independent', but which are nonetheless economically exploited by particular capitalist powers. This remains true even when these countries have not been forced to accept damaging trade agreements, and even when they are not, at bottom, merely the fiefs of particular capitalist corporations as, for example, in the case of Guatemala. In other words, we are talking about a form of exploitation which in no way makes use of means of political domination, which is not intentional, but which simply comes about by virtue of the economic laws operating in capitalism.

Which laws are these? First, the law of value. We know that according to the law of value the only labour which counts as

socially necessary is that which is required 'to produce any use-value under the conditions of production normal for a given society, and with the average degree of skill and intensity prevalent in that society'.[66] Within one country the differences in intensity and productivity of labour become equalised at one socially average level. But this does not apply on the world market!

'The more intense national labour, as compared with the less intense' not only produces 'in the same time more value, which expresses itself in more money'; here, the law of value 'is yet more modified . . . by the fact that on the world market, national labour which is more *productive* also counts as more intensive, as long as the more productive nation is not compelled by competition to lower the selling price of its commodities to the level of their value.'[67] The result is that an unequal exchange takes place between different nations, so that, for example, 'three days of labour in one country can be exchanged against one in another country. . . . The relationship between working days of different countries may be similar to that existing between skilled, complex labour and unskilled, simple labour within a country. In this case, the richer country exploits the poorer one (even where the latter gains by the exchange)'[68] . . . 'just as a manufacturer who employs a new invention before it becomes generally used . . . valorises the specifically higher productivity of the labour he employs as surplus labour', and therefore achieves a surplus profit.[69] Except in this situation the surplus profit is not temporary, as with the case of the individual manufacturer, but permanent in its nature. In this way the richer country acquires raw materials and products which have been considerably more expensive if they had had to be produced on that country's own territory, and therefore it frees itself from all the disadvantages of its geographical situation, etc. It is not necessary to point out what this unequal exchange means in terms of losses for the poorer country, which thus continually has to give away a portion of its national labour.

In addition to this Henryk Grossmann believed he could put forward another reason why the backward nations are exploited by the advanced capitalist countries in international trade; namely the inequality in the composition of their capitals. Insofar as a tendency to equalisation of the rate of profit exists in international trade, 'the commodities of the capitalistically highly developed

[66] *Capital* I, p.129 (39).
[67] *ibid.* p.702 (560).
[68] *Theories* III, pp.105-06.
[69] *Capital* III, p.251.

country, i.e. a country with a higher than average composition of capital, will be sold at prices of production which are always higher than their values; whereas inversely, in the countries with a lower organic composition of capital, commodities, under free competition, will be sold at prices of production which as a rule must be lower than their value . . . In this way *transfers* of the surplus-value produced in the underdeveloped country to the capitalistically higher developed will take place on the world market within the sphere of circulation.'[70] This is the same conclusion as the one reached by Otto Bauer in his *Einführung in die Volkswirtschaftslehre*. He says there: 'It is not true that peoples exchange commodities whose production requires the same amount of labour. Losses and gains from exchange are in fact contained in the prices. Countries with developed industry are the countries which secure a profit in exchange from agricultural countries. That is, the developed countries enrich themselves at the expense of the agricultural countries.'[71]

It is evident that the profits from exchange which the advanced capitalist countries make in their intercourse with the backward countries can be used to some extent to give certain wage concessions to the workers of the former. The room for manoeuvre 'within which the level of wages can be changed as the result of the struggle between the contending parties'[72] will be enlarged by this – apart from the lower prices of the commodities imported from the backward countries, which can also benefit to some extent the workers in the countries receiving the imports. Or, as Otto Bauer succinctly expressed it: 'The workers in the advanced countries are better off. Why? The advanced countries secure profits through exchange; they enrich themselves at the expense of the backward countries.'[73] It

[70] *Das Akkumulations- und Zusammenbruchsgesetz*, pp.431-32. Cf. Marx's *Grundrisse*, p.872: 'From the possibility that profit may be less than surplus-value . . . it follows that not only individual capitalists but also nations may continually exchange with one another, may even continually repeat the exchange on an ever-expanding scale, without for that reason necessarily gaining in equal degrees. One of the nations may continually appropriate for itself a part of the surplus labour of the other, giving back nothing for it in the exchange . . .'

[71] Otto Bauer, *Einführung in die Volkswirtschaftslehre*, p.165.

[72] Cf. p.305 above.

[73] Bauer, *op. cit.* p.164. However, Bauer's view as quoted here seems to contradict the opinion he advocated at the 1928 Brussels Congress of the Second International. On this we can read in an article by L.Birkenfeld, in *Grünbergs Archiv* 1930, p.154: 'The Leninist theory of the labour aristocracy overlooks the fact that as Helene and Otto Bauer proved (in *Der Kampf*, 1928, pp.393ff), the interest which, for example, America draws from Europe, is negligible compared to the amounts of surplus-value of the American capitalists, which the latter are able to obtain, owing to the higher productivity of the workers there. A few days after Bauer referred to this in Brussels the Bolshevik leader, Bukharin, asserted at the Congress of the Communist International that he had found a refutation. Bauer, he said, asks where the Swedish colonies are, if a section of the Swedish working class are the highest paid in Europe? Bukharin's reply is that the basis of the labour aristocracy, apart from colonial profits, is also constituted by differential profits for the capitalists, whose firms work with a higher average productivity.'

should not of course be concluded from this that somehow the workers in the advanced capitalist countries ought, for better or worse, to build a common front with their own capitalist class;[74] but simply that (1) the increase in living standards cannot accrue to the working classes of all countries, insofar as it derives from this source, but is rather based upon the low living standards of backward countries; and (2) that this increase in living standards in the leading countries can only continue, so long as the agricultural and colonial countries remain backward in their economic development. Today it is more evident than then, 'that no country wishes to remain an agricultural country, because it does not want to be permanently exploited by the industrial states'. Otto Bauer concludes: 'Capitalism will never solve this problem. The agricultural countries will only abandon the idea of industrialisation if they are no longer exploited. But this is unattainable under capitalism. Only socialism can resolve this problem.'[75]

7. *Concluding remark*

Now that we have seen the other side of the coin, we can conclude our investigation. One final remark is however permissible: it is not difficult to show the superficial and crudely empiricist character of current Marx criticism, as represented by the works of Sternberg and Strachey. However, this is 'pure school-boy's work' (to use an

[74] However, the drive towards this is very strong, as the history of the working-class movement shows! Cf. Engels's letter to Marx of 7 October 1858, in which he expresses the fear that 'the English proletariat is actually becoming more and more bourgeois, so that this most bourgeois of all nations is apparently aiming ultimately at the possession of a bourgeois aristocracy and a bourgeois proletariat alongside the bourgeoisie. For a nation which exploits the whole world this is of course to a certain extent justifiable.' (*Selected Correspondence*, p.103.) And twenty-three years later he complained once more: 'The British working man just does not want to go any further, he has to be shaken up by events, such as the loss of the industrial monopoly. In the meantime, let him keep to himself.' (*MEW* Vol.35, p.20.)

[75] Otto Bauer, *op. cit.* p.166.

expression of Engels). What is of course much more important and interesting is the study of Marx's theory of wages itself. And here we hope to have shown that we are dealing with a highly elaborate and delicately structured theoretical construction, which – despite the considerable period of time which separates us from its origins – still appears to be in good repair today, and which provides a keen analytical tool. Admittedly this theory carries with it certain dangers (as we saw in the study of the industrial reserve army), which primarily arise from an insufficient regard for the methodological structure of Marx's work. However, these are deficiencies which do not affect the basis of the theory, and do not stand in the way of its fruitful application and further elaboration. It is true of course that anyone who is only interested in superficial appearances in political economy, and is looking for cut-and-dried, complete answers, will not find Marx's strictly scientific and essentially dialectical theory of wages to their liking. The 'thinking readers', however, (to whom Marx appeals in the Foreword to the first edition of Volume 1 of *Capital*[76]) will continue to find great theoretical satisfaction in studying it.

[76] Marx wrote, 'I assume, of course, a reader who is willing to learn something new and therefore to think for himself.' (*Capital* I, p.90 (8).)

PART FOUR
The Section on the Circulation Process

Introductory Remark

We now come to a section of the *Rough Draft* which, in its most general sense, corresponds to Volume II of *Capital*, i.e. the section dealing with the circulation process of capital.

We should first of all note that when, in the chapter before last, reference was made to capital as it has 'become' (in contrast to capital 'in its becoming'), this was only an anticipation of results which were to follow much later in the analysis, as we have not yet by any means got beyond the stage of capital 'in its becoming'! This is because the 'completed form of capital' presupposes not only that capital has passed through the process of its own production, but also through that of circulation. In this sense, circulation represents a necessary moment in the self-formation (*Selbstgestaltung*) of capital – it is 'at the same time its becoming, its growth, its vital process'.[1] However, we can only speak of capital 'which has become' or is 'complete' when capital, 'steps, so to speak, beyond its organic inner life, and enters into relations with outer life',[2] that is, when the analysis progresses from that of 'capital in general' to that of 'many capitals', 'capital in its reality'.

It follows from this, that this section can only concern itself with

[1] *Grundrisse*, p.517.
[2] *Capital* III, p.44.

a general study of the circulation process: with the new forms which capital develops during its circuit, and in particular, during its stay in the sphere of circulation. We should not for one instant forget, however, that 'in reality this sphere represents the sphere of competition . . . which, considered in each individual case, is dominated by chance; where, then, the inner law, which prevails in these accidents and regulates them . . . remains, therefore, invisible and unintelligible to the individual agents in production'.[3] However, it is precisely for this reason that the scientific analysis of the circulation process must, in the first instance, disregard all the outward appearances of competition, so that it can grasp this process in its pure form, its 'simple basic form'.

Marx develops the concept of the circulation of capital from two standpoints. First, capital's stay in the sphere of circulation proper, i.e. in the markets for labour and commodities. Second, the circuit of capital through the entirety of its phases, which includes the phase of its production process, as well as the phase of circulation proper. Different characteristic forms emerge from each of these standpoints, which modify the laws arrived at in the previous section. Their analysis is therefore indispensable for the understanding of the process of capitalist production as a whole.

[3] *ibid.* p.828. Cf. also *ibid.* pp.43-44.

21.

The Transition from the Production Process of Capital to the Circulation Process of Capital. Excursus on the Realisation Problem and the First Scheme of Reproduction

In contrast to Volume II of *Capital*, the section of the *Rough Draft* which deals with the circulation process of capital, opens with an excursus, which, strictly interpreted, goes beyond the limits of the abstract analysis of the process of circulation and the new characteristic forms of capital which arise there. However, this section should be regarded as a welcome complement to the analysis. This excursus, which can be found on pages 401-23 deals with the problem of realisation and crises of overproduction.

It begins: 'We have now seen how, in the *valorisation process*, capital has (1) maintained its value by means of exchange itself . . . (2) increased, created a surplus-value. There now appears, as the result of this unity of the process of production and the process of valorisation, the product of the process, i.e. capital itself, emerging as product from the process whose presupposition it was . . . and specifically [as] a *higher value*, because it contains more objectified labour than the value which formed the point of departure. This value as such is *money*. However, this is the case only *in itself*; it is not *posited* as such;[1] that which is posited at the outset, which is on hand, is a commodity with a certain (ideal) price, i.e. which exists only ideally as a certain sum of money, and which first has to *realise* itself as such in the exchange process, hence has to re-enter the process of simple circulation in order to be posited as *money*.'[2]

Marx continues: 'Looked at precisely, the *valorisation process* of capital therefore appears at the same time as its *devaluation process*, its demonetisation.' This is because money has lost its form as money through its entry into the production process, and can only regain it in the circulation process. In fact, the situation is now that 'the capitalist enters the process of circulation not simply as one engaged in exchange, but as *producer*, and the others engaged in exchange are, in relation to him, *consumers*. They must exchange money in

[1] Cf. Note 71 on p.127 above.
[2] *Grundrisse*, pp.401-02.

order to obtain his commodity for their consumption, while he exchanges his product to obtain their money. Suppose that this process breaks down – and the separation by itself implies the possibility of such a miscarriage in the individual case – then the capitalist's money has been transformed into a worthless product, and has not only not gained a new value, but also lost its original value. But whether this is so or not, in any case devaluation forms one moment of the valorisation process;[3] which is already simply implied in the fact that the product of the process in its immediate form is not *value*, but first has to enter anew into circulation in order to be realised as such. Therefore while capital is reproduced as value and new value in the production process, it is at the same time posited as *not-value*, as something which first has to be *valorised by means of exchange* . . . As a *commodity*, capital now shares the fate of commodities in general; it is a matter of accident whether or not it is exchanged for money, whether its *price* is realised or not.'[4] We thus come to the realisation problem, and by extension to the problem of crises. The *Rough Draft* states further: 'In the production process itself – where capital continued to be presupposed as value – its *valorisation* appeared totally dependent solely on the relation of itself as objectified labour to living labour; i.e. on the relation of capital to wage-labour. But now, as a product, as a commodity, it appears dependent on circulation, which lies outside this process . . . As a commodity it must be (1) a use-value, and as such an object of need, object of consumption; and (2) it must be exchanged for its equivalent in money. The new value can be realised only through a sale.'[5]

Both of these conditions have been encountered in the analysis of simple commodity circulation. We saw there that: 'As a means of exchange the commodity must be a use-value, but it can only become such by being put up for sale – since it is not a use-value for the person in whose hands it is a commodity, but for the person who

[3] This devaluation (Marx uses the word in this sense only in the *Rough Draft*), which constitutes a moment of the process of valorisation itself, should be distinguished from the devaluation of capital which results from the increase in the productive power of labour. 'Value', we read in Marx's letter to Engels of 14 September 1851, 'is originally determined by the original costs of production. . . . But once it is produced, the price of the product is determined by the costs which are necessary to reproduce it. And the costs of reproduction fall constantly, and all the more rapidly, the more industrial is the age. Hence, law of the progressive devaluation of capital-value itself . . .' (*MEW* Vol.27, p.313.)
[4] *Grundrisse*, p.403.
[5] *ibid.* p.404.

takes it in exchange as a use-value. For the owner of the commodity its use-value consists solely in its exchangeability, alienability to the extent of the exchange-value represented in it.'[6] 'One and the same relation must therefore be simultaneously a relation of essentially equal commodities which differ only in magnitude, i.e. a relation which expresses their equality as materialisations of universal labour-time, and at the same it must be their relation as qualitatively different things, as distinct use-values for distinct needs, in short a relation which differentiates them as actual use-values.'[7] This contradiction between use-value and exchange-value, already manifest in the commodity and in simple commodity circulation, is revived in new forms in the circulation of capital. 'But this time, this contradiction is posited not merely as it was in (simple) circulation, as a merely formal difference;[8] rather the quality of being measured by use-value is here firmly determined as the quality of being measured by the sum total of the needs of the exchangers for this product . . . [so that] what is posited now is that the measure of its availability is given in its *natural composition itself*. In order to be transposed into the general form [i.e. the form of money] the use-value [produced by capital] has to be present in a limited and specific quantity; a *quantity* whose measure does not lie in the amount of *labour objectified in it*, but arises from its *nature as use-value*, in particular *use-value for others*.'[9] That is : 'As a *specific, one-sided qualitative* use-value, e.g. grain', the product of capital, 'is only required in a specific quantity; i.e. in a certain *measure*. This measure, however, is given partly in its quality as use-value – its *specific* usefulness, applicability – partly in the number of individuals engaged in exchange who have a need for this specific consumption. (The number of consumers multiplied by the magnitude of their need for this *specific* product.)' This is because 'use-value in itself does not have the boundlessness of value as such. Given objects can be consumed as objects of need only up to a certain level . . . Hence as *use-value*, the product contains a barrier – precisely the barrier consisting of the need for it – which, however, is measured not by the need of the producers but by the sum total of the needs of the exchangers.'[10] However, if this sum total of needs falls short, the

[6] *Grundrisse*, German edn. p.927.
[7] *Contribution*, p.44.
[8] In the sense that the commodity must undergo the change of form C-M and M-C.
[9] *Grundrisse*, p.406.
[10] Here Marx already touches on a theme we shall encounter once again in Volume III of *Capital* (pp.185, 194-95, 635-36).

product of capital ceases to be use-value, and consequently ceases to be capital.[11]

However, the product of capital must not only be an object of consumption, but must also 'be exchanged for its equivalent – in money',[12] which produces a further barrier to realisation. Since 'circulation was presupposed at the outset as a constant magnitude – as having a given volume – but since, on the other hand, capital has created a new value in the production process, it seems indeed as if no equivalent were available for it.' 'The surplus-value . . . requires a surplus equivalent', but this must first be created by production. Thus, capital has 'its limit as value . . . in alien production, just as use-value [has] its barrier in alien consumption; in the latter, its measure is the amount of need for the specific product, in the former, the amount of *objectified labour* existing in circulation.' 'The indifference of value as such towards use-value is thereby brought into just as false a position as are, on the other side, the substance of value and its measure as objectified labour in general.'[13]

Following on from this we find the illuminating description, which we have already encountered,[14] of the 'propagandising' and 'civilising' tendencies of capital, where Marx shows how capital's insatiable drive for valorisation brings about 'an extending circle of circulation . . . through production itself', and 'the continuous creation of more surplus labour . . . as a complement to itself'; and how, on the other side, this same drive for valorisation has as its consequence the fact that 'the consuming circle within circulation expands as did the productive circle previously', by means of the creation of new needs and the extension of existing ones. In this way it begins to look as if the impediments to realisation which have just been described could in fact be overcome through the development of the capitalist mode of production itself. However, it by no means follows that because capital tries to tear down every barrier which it encounters, 'and hence gets ideally beyond it', in terms of the direction in which it proceeds that 'it has *really* overcome it', that they cease to exist.[15] On the contrary : if we previously saw in capital 'a unity of the processes of production and valorisation,' it is now necessary to emphasise 'that this *unity of production and valorisation* is not *direct*, but is only a *process*' . . . by which all the contradictions

[11] *Grundrisse*, p.405.
[12] *ibid.* p.404.
[13] *ibid.* pp.405-07.
[14] Cf. Chapter 15 above.
[15] *Grundrisse*, p.410.

inherent in it 'are continually superseded ' ('overcome by force . . . although this supersession appears up to a certain point merely as a smooth restoration of the balance'), 'but also constantly recreated'.[16] How this process actually takes place is 'another question', which does not belong to the study of 'capital in general'. What is necessary at this stage of the analysis is 'to take note of the existence of these contradictions in the first instance', and demonstrate that both these contradictions and the tendencies which temporarily overcome them are in themselves already contained in the 'simple *concept* of capital' – so that their later unfolding can be seen as a development from this kernel.[17]

In the *Rough Draft* Marx only deals with the problem of crises of overproduction at this abstract level. He says : 'The whole dispute as to whether overproduction is possible and necessary in capitalist production revolves around the point whether the process of the valorisation of capital within production directly posits its valorisation in circulation, whether its valorisation posited in the *production process* is its *real* valorisation.' Bourgeois economists are divided into two camps on this issue. Those 'who like Ricardo, conceived production as directly identical with the self-valorisation of capital – and hence were heedless of the barriers to consumption or of the existing barriers of circulation itself, to the extent that it must represent counter-values at all points, having in view only the development of the forces of production and the growth of the industrial population – supply without regard to demand – have . . . grasped the positive essence of capital more correctly and deeply than those who, like Sismondi, emphasised the barriers of consumption and of the available circle of counter-values, although the latter has better grasped the limited nature of production based on capital in its negative one-sidedness.' Of course Ricardo also had 'a suspicion that the *exchange-value* of a commodity is not a value apart from exchange, and that it proves itself as a value only in exchange; but he regards the barriers which production thereby encounters as accidental, as barriers which are overcome. He therefore conceives the overcoming of such barriers as being in the essence of capital, although he often becomes absurd in the exposition of that view; while Sismondi, by contrast, emphasises not only the encounters with the barriers but their creation by capital itself, and has a vague intuition that they must lead to its breakdown. He therefore wants to put up barriers to production from the outside, through custom, law etc. which of course, as merely external

[16] *ibid.* pp.406, 407.
[17] *ibid.* pp.360ff.

and artificial barriers, would necessarily be demolished by capital. On the other side, Ricardo and his entire school never understood the really *modern crises*, in which this contradiction of capital discharges itself in great thunderstorms which increasingly threaten it as the foundation of society and of production itself.'[18]

It is already clear from this comparison of Sismondi's and Ricardo's views which direction Marx's solution to the problem had to take. In opposition to Ricardo he constantly points to the 'fundamental contradiction' of capitalism; to 'the poverty and restricted consumption of the masses, as opposed to the drive of capitalist production to develop the productive forces as though only the absolute consuming power of society constituted their limit'.[19] Thus, for Marx, crises are not, 'as Ricardo maintains, accidental . . . but essential outbreaks – occurring on a large scale and at definite periods – of the immanent contradictions'.[20] However, in opposition to Sismondi, Marx stresses the 'universal tendency' and 'positive essence' of capital, and consequently views the (periodic) overcoming of the 'barriers of the sphere of exchange' as part of the 'essence of capital' itself in the sense which we are already acquainted with, according to which the contradictions of capitalism are continually 'superseded', but equally continually 'posited' on an ever-higher scale, until they eventually lead to its collapse and the transition to a 'higher form of social production'.

This is precisely the standpoint from which Marx criticises the attempts at apologetics by the economists (James Mill, Say, Ricardo, MacCulloch) who deny the possibility of general crises of overproduction. Since we are already acquainted with this critique from Volume II of the *Theories*, it is unnecessary to look in any more detail at the relevant passage in the *Grundrisse* (411-414). Marx's main criticism of the economists was that they disregarded all the features, and definitions specific to the capitalist mode of production in order to 'explain away' crises of overproduction, and that they equated the circulation of capital with simple commodity circulation, even direct barter. 'The moment of valorisation is here simply thrown out entirely, and production and consumption are simply equated, i.e. not production based on capital but production based directly on *use-value* is presupposed.'[21] On the other hand, bourgeois

[18] *ibid.* pp.410-11. Cf. the well-known account of Sismondi's views in *Theories* III, pp.55-56. There too, Sismondi is contrasted with Ricardo.
[19] *Capital* III, p.484.
[20] *Theories* III, p.56.
[21] *Grundrisse*, p.413.

economists always strive to emphasise only the moment of unity, and to deny the antagonisms themselves, whereas in fact, 'the economic relation . . . comprises antagonism . . . and is the unity of opposites'. In this way 'the unity of antagonisms becomes the immediate identity of these antagonisms'[22] – 'a manner of thinking the criticism of which belongs to the sphere of logic and not of economics'.[23] Thus, the economists stressed, for example, 'the tendency of capital to distribute itself in correct proportions (between the different branches of production)', but studiously forgot, that 'it is equally its necessary tendency – since it strives limitlessly for surplus labour, surplus productivity, surplus consumption etc. – to drive beyond this proportion.'[24] Of course, if production in capitalism were carried out in accordance with a general and predetermined plan, 'then no overproduction could in fact occur'.[25] However, since this is a contradiction in terms, as the growth of capitalist production 'is not directly regulated or determined by the needs of society', capital is necessarily 'just as much the constant positing as the supersession of proportionate production',[26] and within capitalist production proportionality proceeds 'as a continuous process out of disproportionality'.[27] Bourgeois apologetics should therefore be countered by saying that, although the individual moments of the valorisation process belong internally together, 'they may or may not find each other, balance each other, correspond to each other' – and that 'their indifferent,

[22] *Theories* III, pp.88, 101. Cf. *Theories* II, pp.500-01 : 'If, for example, purchase and sale – or the metamorphosis of commodities – represent the unity of two processes, or rather the movement of one process through two opposite phases, and thus essentially the unity of two phases, the movement is essentially just as much the separation of these two phases and their becoming independent of each other. Since, however, they belong together, the independence of the two correlated aspects can only show itself forcibly as a destructive process. It is just the *crisis* in which they assert their unity, the unity of the different aspects. The independence which these two linked and complementary phases assume in relation to each other is forcibly destroyed. Thus the crisis manifests the unity of the two phases that have become independent of each other. There would be no crisis without this inner unity of factors that are apparently indifferent to each other. But no, says the apologetic economist. Because there is this unity, there can be no crises. Which in turn means nothing but that the unity of contradictory factors excludes contradiction.'

[23] *Contribution*, p.96.

[24] *Grundrisse*, p.413.

[25] *Theories* III, p.118.

[26] *Grundrisse*, p.414.

[27] *Capital* III, p.257.

independent existence towards one another is already a foundation of contradictions' (and crises).[28]

'Still', continues Marx, 'we are by no means finished. The contradiction between production and valorisation – of which capital, by its concept, is the unity – has to be grasped more intrinsically than merely as the indifferent, seemingly reciprocally independent appearance of the individual moments of the process, or rather of the totality of processes.' That is, this has not been achieved by mere reference to the general, abstract possibility of crises; rather it is necessary 'to demonstrate that capital contains a *particular* restriction of production – which contradicts its general tendency to drive beyond every barrier to production'. This already suffices, 'in order to have uncovered the foundation of *overproduction*, the fundamental contradiction of developed capital, or, to speak more generally, to have uncovered the fact that capital is not, as the economists believe, the *absolute* form for the development of the forces of production.'[29] This particular limitation consists in the fact that capital's drive for valorisation, which compels it to expand production without limit (i.e. without regard to the available market or effective demand), at the same time forces it to restrict the sphere of exchange, 'i.e. the possibility of valorising, of realising the value posited in the production process'. This contradiction is one which Sismondi grasped 'crudely, but nonetheless correctly . . . as a contradiction between production for the sake of production and distribution which makes absolute development of productivity impossible'.[30]

Marx now proceeds to substantiate his theory in more detail. He says that it is a basic presupposition of capitalist production that capital has to enter into exchange with the worker, before anything else, i.e. posit necessary *labour*. 'Only in this way does it valorise itself and create surplus-value'. On the other hand, 'it posits necessary labour only *to the extent* and *insofar* as it is *surplus labour* and the latter is *realisable as surplus-value*. It posits surplus labour, then, as the condition for necessary, and surplus-value as the limit of objectified labour, of value as such . . . It therefore restricts labour and the creation of value . . . and does so on the same grounds as and to the same extent that it posits surplus labour and surplus-value. By its nature therefore, it posits a *barrier* to labour and value-creation, in contradiction to its tendency to expand them boundlessly. And in as much as it both posits a barrier *specific* to itself, and on the other side

[28] *Grundrisse*, pp.414-15.

[29] *ibid.* p.415.

[30] *Theories* III, p.84.

equally drives over and beyond *every* barrier, it is the living contradiction.'[31]

We read in the next paragraph that if capital 'makes surplus labour and its *exchange* for *surplus labour* into the precondition of necessary labour . . . hence already narrows and attaches conditions to the sphere of exchange from this side – it is just as essential to it, on the other side, to restrict the worker's consumption to the amount necessary to reproduce his labour-capacity – to make the value which expresses *necessary labour* the barrier to the realisation of labour-capacity and hence of the worker's *exchange capacity*, and to strive to reduce the relation of this necessary labour to surplus labour to the minimum'.[32] This is a tendency which arises from capital's limitless drive for valorisation, but which must, in fact, once more, appear as a restriction in its sphere of exchange.

The same situation prevails with the productive force. 'On the one hand, the necessary tendency of capital to raise it, to the utmost, in order to increase *relative surplus labour-time*. On the other hand, thereby decreases necessary labour-time, hence the worker's exchange capacity. Further . . . relative surplus-value rises much more slowly than the force of production, and moreover this proportion grows ever smaller as the magnitude reached by the productive forces is greater.[33] *But the mass of products grows in a similar proportion*' as the productive force does. 'But to the same degree as the mass of products grows, so grows the difficulty of realising the labour-time contained in them – because the demands made on consumption rise.'[34]

Marx sums up by saying : 'Capital, then, posits *necessary labour-time* as the barrier to the exchange-value of living labour-capacity; *surplus labour-time* as the barrier to necessary labour-time; and *surplus-value* as the barrier to surplus labour-time; while at the same time it drives over and beyond all these barriers', forgets them and abstracts from them. 'Hence overproduction i.e. the sudden *recall*[35] of all these necessary moments of production founded on capital; hence general devaluation in consequence of forgetting them. Capital, at the same time [is] thereby faced with the task of launching its attempt anew from a higher level of the development of productive

[31] *Grundrisse*, p.421.
[32] *ibid.* pp.421-22.
[33] Cf. Chapter 16 above.
[34] *Grundrisse*, p.422.
[35] This is reminiscent of Hegelian terminology. (Cf. G.Lukacs, *The Young Hegel*, pp.542-43.)

forces, with each time greater collapse *as capital*. Clear therefore, that the higher the development of capital, the more it appears as barrier to production – hence also to consumption – besides the other contradictions which make it appear as burdensome barrier to production and intercourse.'[36]

The contradiction between production and valorisation therefore lies in the nature of capital itself and is based upon the antithetical interaction between necessary and surplus labour. The larger the surplus labour, the smaller (relatively) the necessary labour; but also then, the smaller the possibility of the realisation of the surplus-product. In this sense capital's limitless drive for valorisation is 'identical to the positing of barriers to the sphere of exchange'.[37]

But if this is the case, if capital itself erects a barrier to the realisation of the surplus-value created in the production process by limiting workers' consumption, how is the development of capital possible at all? How can capital avoid a situation of permanent crisis? If one proceeds from these premises, isn't it then necessary to accept the explanation offered by Sismondi or the Russian Narodniks, namely, that in the long run the realisation of surplus-value is impossible in capitalism – and that surplus-value has to be disposed of abroad, in exchange with other countries?[38]

In the first instance we want to confine ourselves to a methodological criticism of this argument. That is, that those who argue in this way overlook the fact that in reality the capitalist economy presupposes competition – that is a sphere in which the abstract characteristics acquired in the analysis of 'capital in general' are first realised, but are at the same time modified ('mediated').

This connection is clear from Marx's *Rough Draft*. We read in the excursus that in contrast to the conditions prevailing before capitalism, in capitalist production 'consumption is mediated at all points by exchange, and labour never has a *direct* use-value for those who are working. Its entire basis is labour as exchange-value and as the creation of exchange-value.' Consequently the wage-labourer (as distinct from the producers of previous periods) is 'himself an independent centre of circulation, someone who exchanges, posits exchange-value, and maintains exchange-value through exchange'. But precisely for this reason, 'to each capitalist, the total mass of all workers, with the exception of his own workers, appear not as workers, but as consumers, possessors of exchange-values (wages), money,

[36] *Grundrisse*, pp.422-23, 416.
[37] *ibid.* p.422.
[38] See Chapter 30 below.

which they exchange for his commodity.[39] They form a proportionally very great part – although not quite so great as is generally imagined, if one focuses on the industrial worker proper – of all consumers. The greater their number – the number of the industrial population – and the mass of money at their disposal, the greater the sphere of exchange for capital.' (And we know 'that it is the tendency of capital to increase the industrial population as much as possible'.) However, 'the relation of one capitalist to the workers of *another capitalist* . . . alters nothing in the relation of capital in general to labour. Every capitalist knows this about his worker, that he does not relate to him as producer to consumer, and (he therefore) wishes to restrict his consumption, i.e. his ability to exchange his wage, as much as possible.[40] Of course he would like the workers of *other* capitalists to be the greatest consumers possible of *his own commodity*. But the relation of *every* capitalist to *his own workers* is the *relation as such of capital and labour*, the essential relation.' From this point of view, therefore, it is basically an 'illusion . . . – true for the individual capitalist as distinct from all the others – that *apart from his workers* the whole remaining working class confronts him as *consumer* and *participant in exchange*, as money-spender, and not as worker . . . It is forgotten that, as Malthus says,[41] "the very existence of a profit upon any commodity presupposes *a demand exterior to that of the labourer who has produced it*", and that therefore "the *demand of the labourer himself can never be an adequate* demand". However, this illusion is of the greatest significance.

[39] 'What precisely distinguishes capital from the master-servant relation is that the worker confronts him as a consumer and possessor of exchange-values, and that in the form of the *possessor of money* in the form of money, he becomes a simple centre of circulation – one of its infinitely many centres, in which his specificity as worker is extinguished.' (*Grundrisse*, pp.420-21.)

[40] In opposition to this one could cite the example of the American motor industry, which, as is known, is dominated by three giant firms who certainly would want to regard the workers they employ as purchasers of their cars. However, if there are several firms in one branch of industry, each of them can and will hope to force their commodities onto the workers of their competitors and will, therefore, aim to reduce the wages of their own workers (and consequently their ability to exchange) 'as much as possible'.

[41] In fact it is not Malthus himself who says this, but rather Otter, the editor of his *Principles*, in a footnote which runs: 'The demand created by the productive labourer can never be an adequate demand, because it does not go to the full extent of what he produces. If it did, there would be no profit, consequently no motive to employ him. The very existence of a profit upon any commodity presupposes a demand exterior to that of the labour which has produced it. Ed.' (T.R.Malthus. *Principles of Political Economy etc.*, 1836, p.405. See Grundrisse, p.418, editorial footnote.)

This is because, as we read further in the *Rough Draft*, 'one production sets the other into motion and hence creates consumers for itself in the *alien* capital's workers, it *seems* to each individual capitalist that the demand of the working class posited by production itself is an adequate demand. On one side, this demand which production itself posits drives it forwards, and must drive it forwards beyond the *proportion* in which it would have to produce with regard to the workers; on the other side, if the demand *exterior to the demand of the labourer himself* disappears or shrinks up then the collapse occurs. Capital itself then regards *demand by the worker* – i.e. the payment of the wages on which this demand rests – not as a gain, but as a loss, i.e. *the immanent relation between capital and labour* asserts itself. *Here again it is the competition among capitals*, their indifference to, and independence of, one another, which brings it about that the individual capital relates to the workers of the entire remaining capital *not as to workers*: hence is driven beyond the right proportion.'[42]

'It is quite the same', we read in a footnote, 'with the demand created by production itself for raw materials, semi-finished goods, machinery, means of communication, and for the auxiliary materials consumed in production, such as dyes, coal, grease, soap etc. This effective exchange-value-positing demand is adequate and sufficient as long as the producers exchange among themselves. Its inadequacy shows itself as soon as the final product encounters its limit in final and direct consumption.[43] This *semblance* too, which drives beyond the correct proportion, is founded in the essence of capital, which, as will be developed more closely in connection with competition, *is* something which repels itself, *is* many capitals mutually quite indifferent to one another.[44] Insofar as one capitalist *buys* from others, buys commodities, or sells, they are within the simple exchange relation; and do not relate to one another as capital. The *correct* (imaginary) proportion in which they must exchange with one another in order to realise themselves at the end as capital lies *outside* their relation to one another.'[45]

So much then on the 'necessary', 'immanent' barriers to capitalist production, as they are expressed in crises of overproduction. It is clear that we are not dealing here with absolute barriers, but with barriers which only evidence themselves as such in con-

[42] *Grundrisse*, p.420.
[43] Cf. *ibid.* pp.149, 639.
[44] Cf. Note 117 on p.42 above.
[45] *Grundrisse*, p.421.

tinuous movement, in the continual struggle of conflicting tendencies. If this is so then the question as to the conditions which facilitate a relative equilibrium of the capitalist system as it reproduces itself, though this may be interrupted by crises, is not only theoretically admissible, but in fact of very great importance for the science of economics.

Marx[46] divides the aggregate capital of society into five classes, which are represented by capitalists A, B, C, D, and E. The first two are manufacturers of raw materials, the third produces machines, the fourth necessaries for the workers, and the fifth luxury products destined for consumption by the capitalists themselves. The organic composition of capital is the same in all five branches of production: 75c + 25v (where c is divided into $\frac{2}{3}$ raw material, and $\frac{1}{3}$ machinery). The rate of exploitation is also the same – 100%. Thus we get the following scheme:

	Machinery	Raw Material	Labour	Surplus-Product
A. 1. Raw material manufacture	20	40	20	20
B. 2. Raw material manufacturer	20	40	20	20
C. Machinery manufacturer	20	40	20	20
E. Workers' necessaries[47]	20	40	20	20
D. Surplus-product	20	40	20	20

How does reproduction take place according to this scheme?* Capitalist E 'exchanges his entire product of 100 for 20 in his own workers' wages, 20 in wages for workers of raw material A, 20 for the workers of raw material B, 20 for the workers of machinery maker C, 20 for the workers of surplus producer D; of this he exchanges 40 for raw material, 20 for machinery, 20 he obtains back from workers' necessaries, and 20 remain for him to buy surplus produce, from which he himself lives. Similarly the others in the relation.' (i.e., each of the manufacturers of raw materials keeps 40 in raw material – since he can use this directly, without exchange, for new production[48] – and

[46] *ibid.* p.439.
[47] The scheme abstracts from fixed capital.
[48] It is assumed that this is a question of raw materials which can be used in the manufacture of raw materials again. (The same applies to Capitalist C's machines.)
* Translator's note: order follows *Grundrisse*, p.441.

exchanges 60 for the products of other capitalists; whereas the 'machinist' and the 'surplus producer' can only retain 20 each in machinery and luxury goods respectively – and each have 80 to exchange.) Each capitalist is then in a position to continue production at the same level in the next year.[49]

It is not difficult to recognise in this fivefold scheme in the *Rough Draft* the prototype of the schemes for simple reproduction which we know from *Capital*[50] and the *Theories*.[51] If we group together the two producers of raw materials and the 'machinist' on the one side, and on the other side the producers of necessaries and luxuries, thus forming two particular groups, we arrive at the following scheme:

	Machinery	Raw Material	Labour	Surplus-Product
I. Means of Industries Production	60	120	60	60
II. Consumption good industries	40	80	40	40

or:

I. 180c + 60v + 60s
II. 120c + 40v + 40s

The capitalists in Department I can directly use 180c for reproduction – since they exist in the natural form of means of production; and the 40v and 40s of Department II have just as little need to go outside the limits of this department. However, what has to be exchanged between the two departments are the 60v and 60s of the first, and the 120c of the second department. Thus we obtain the equation which expresses the conditions for the smooth course of reproduction as: vI + sI = cII as in the reproduction scheme of Volume II of *Capital*.

However, what happens in the case of extended reproduction, or, expressing this in capitalist terms, in accumulation? (For if the five capitalists in the scheme 'consumed the entire surplus, they would be no further at the end than at the beginning, and the surplus-value

[49] *ibid.* pp.439-41.
[50] *Capital* II, pp.401-02; and *Capital* III, p.838.
[51] *Theories* III, pp.246-49. (Cf. *MEW* Vol.30, pp.362-67, and Marx's 'Tableau Economique' printed in the one-volume German edn. of *Capital*, 1948, pp.533-36.)

of their capital would not grow' – which would contradict the aim of capitalist production.) This requires a special scheme for extended reproduction and we can already find the hastily drafted beginning to such a scheme in the *Rough Draft*.[52] And although this attempt contains some obvious errors of calculation, it is clear what Marx wants to say. It proceeds as follows :

In the first place, the production of at least the 'surplus producer' D has to be restricted, so that a transition from simple to extended reproduction can take place. For, if each capitalist consumed only 10 out of 20 from his surplus-value and accumulated 10, then the surplus producer D can now only produce 50 (5 × 10) units of luxury commodities. (In this way the transition to extended reproduction is already bound up with crisis.) Secondly, however, each capitalist (A,B,C, and E) must employ 5 of the 10 accumulated units of value for raw material, $2\frac{1}{2}$ for machinery and $2\frac{1}{2}$ for wages, in the same proportions as before. Only if these proportions are kept to is there a '*real possibility* for greater valorisation – the production of new and larger values.' If not then the two capitalists E and D, the producers of necessaries and luxuries, would be producing too much – 'that is, too much relative to the proportion of the part of capital going to the worker, or too much relative to the part of capital consumable by the capitalists (too much relative to the proportion by which they must increase their capital . . .'). That is, a '*general overproduction*' would occur, 'not because relatively *too little* [sic] had been produced of the commodities consumed by the workers or too little [sic] of those consumed by the capitalists, but because too much *of both* had been produced – *not* too much *for consumption*, but too much to retain the *correct proportion between consumption and valorisation*; too much for valorisation'.[53]

'In other words', continues Marx, 'at a given point in the development of the productive forces – for this will determine the relation of necessary labour to surplus labour – a fixed relation becomes established in which the product is divided into 4 parts – corresponding to raw material, machinery, necessary labour, surplus labour – and finally surplus labour into one part which goes to consumption and another which becomes capital again. This inner division, inherent in the concept of capital, appears in exchange in such a way that the exchange of capitals among one another takes place in specific and restricted proportions – even if these are constantly changing, in the course of production . . . This gives, in any

[52] *Grundrisse*, p.442.
[53] *ibid.* pp.442-43.

case, both the sum total of the exchange which can take place, and the proportions in which each of these capitals must both exchange and produce. If the relation of necessary labour to the constant part of capital is as, e.g. in the above example [i.e. as in the scheme] . . . then we have seen that the capital which works for the consumption of capitalists and workers combined may not be greater than $\frac{1}{5} + \frac{1}{10}$ of the 5 capitals . . . Given likewise is the relation in which each capital must exchange with each other one, which represents a specific one of its own moment. Finally in which each of them must exchange at all.'[54]

However, the point of the scheme is simply to show the 'inner', 'conceptual' division of capital – that is the conditions which make possible a situation of equilibrium in a capitalist system engaged in the process of growth. In reality these conditions for equilibrium can only be achieved in the face of continual disturbances. For, 'exchange in and for itself gives these conceptually opposite moments an indifferent being', so that they 'develop independently of one another'; consequently 'their inner necessity' only 'becomes manifest in the crisis, which puts a forcible end to their seeming indifference to one another'.[55]

However, this is not the only danger which threatens the valorisation of capital. Since the 'proportions for the exchange between capitals' are determined by the 'proportion between necessary labour and surplus labour', and since this proportion itself is dependent on the development of the productive forces, every 'revolution in the forces of production' must bring about a change in these proportions. If, despite this, production proceeds indifferently onwards (and capital's boundless drive for valorisation tends to drive it beyond all the 'correct' proportions !), 'then ultimately a minus, a negative magnitude, will come out of the exchange on one side or the other'. For 'the barrier always remains that exchange – hence production as well – takes place in such a way that the relation of surplus labour to necessary labour remains the same – for this is = to the constancy of the valorisation of capital.'[56] However, if production is driven beyond these limits, then at a definite moment in time a situation of 'general devaluation and destruction of capital' comes about. Thus the crisis resolves itself in 'an actual reduction of production, of living labour – in order to re-establish the correct proportion between

[54] *ibid.* p.443.
[55] *ibid.* pp.443-44. (The concept of indifference, which we repeatedly encounter in the *Rough Draft*, is also taken from Hegel's *Logic*.)
[56] *ibid.* p.444.

necessary and surplus labour, on which everything depends in the last instance.' 'Both are therefore posited in the essence of capital; the devaluation of capital . . . as well as the supersession of devaluation and the creation of the conditions for the valorisation of capital.'[57] This section has taught us two things: firstly, that Marx's much discussed schemes of reproduction only aim to show how – within limited periods of time, with relatively constant techniques of production and rate of exploitation of labour – extended reproduction can take place, given that definite proportions are maintained between the main departments of social production: and therefore that any 'harmonious' interpretation of this scheme is inapplicable. And secondly we can see from this excursus, above all, the stress which Marx placed on the contradiction between capital's boundless drive for valorisation, and the limited power of consumption of capitalist society. This is a point which many writers in the marxist tradition ignore, or only look at incidentally, although it is indispensable for the understanding of Marx's theory of crises. This is a theme we shall deal with in more detail in Part VII of this work.

[57] *ibid.* pp.446-47. Marx adds: 'The process by which this takes place in reality can be examined only as soon as real capital i.e. competitions etc. – the actual real conditions – have been examined.'

22.

Circulation Time and its Influence on the Determination of Value

The section of the *Rough Draft* which we described in the previous chapter basically represents simply the notification and preliminary treatment of a series of questions which were not to have been finally solved until a much later stage of the analysis, in fact not until after the completion of the *Rough Draft* itself.[1] Its aim was to indicate the barriers and difficulties in the realisation process, which followed from the study of 'capital in general', but which only existed as 'possibilities' and which consequently could only be 'overcome as possibilities'.

However, the main point of the section of the *Rough Draft* dealing with the circulation process is to 'represent the sphere of circulation . . . in relation to the characteristic forms which it produces', in order to demonstrate 'the development in the nature of capital, which takes place there'.[2] For this purpose, we have to assume, (as in the previous chapter), 'that capital passes through its process of circulation in the normal way', hence that – regardless of the extent of the difficulties of realisation – 'the capitalist must have succeeded in selling his commodities, and in reconverting the money shaken loose from them into capital'. This is by no means an arbitrary assumption, but corresponds 'to what actually takes place', insofar as the reproduction of capital does actually occur.[3]

The analysis of the production process has yielded the result, that the valorisation of capital consists exclusively in the appropriation of unpaid alien labour, and the extent of this valorisation is most precisely measured by the amount of surplus labour-time extracted

[1] We should remember that Marx's original plan relegated the treatment of crises to the last (sixth) book of the work.

[2] Marx saw this himself (*Capital* III, p.828) as the function and content of Volume II of *Capital*. Cf. *Grundrisse*, p.524: 'Circulation as we regard it here is a process of transformation, a qualitative process of value . . . insofar as new aspects are created within this process of transformation as such – in the transition from one form to another.'

[3] *Capital* I, pp.709, 710 (564, 565).

from the workers. However, is this the only significance of the time factor in production? Shouldn't we also regard the entire time that capital remains in the process of production as value-creating and surplus-value-creating, even if this does not directly represent the period of labour?

We refer here to the distinction between the length of the production process itself – production-time – and the duration of the labour-time which is necessary for the manufacture of the product.[4] In agriculture for example (and to a greater or lesser extent in several other branches of production), 'there are interruptions given by the conditions of the production process itself, pauses in labour-time, which must be begun anew at the given point in order to continue or to complete the process; the constancy of the production process here does not coincide with the continuity of the labour process.' Or, 'after the product is finished it may be necessary for it to lie idle for some time, during which it needs relatively little labour, in order to be left in the care of natural processes, e.g. wine.'[5] Thus, it may be the case that the same labour-time may be expended for different products, and that, in fact, the production-time can exhibit noticeable differences, which – since they take the form of different turnover periods[6] for different entrepreneurs – have to be 'compensated for', if equal amounts of capital are to yield equal amounts of profit. But says Marx, 'this question obviously belongs only with equalisation of the rate of profit'.[7] However, he already wants to refute the idea that 'a natural circumstance which hinders[8] a capital in a specific branch of production from exchanging with the same amount of labour-time in the same amount of time as another capital in another branch of production can in any way contribute to *increasing* the former's value. Value, hence also surplus-value, is not = to the time which the production phase lasts, but rather to the labour-time, objectified and

[4] See *Capital* II, Chapter XIII. This distinction is only fleetingly dealt with in the *Rough Draft* – just sufficiently to show its influence on the valorisation of capital. One can also see, in the relevant pages of the manuscript, how Marx first elaborated this distinction. (For example, on p.518 production-time is still equated with labour-time, which was subsequently corrected by the insertion of the word 'false'.)

[5] *Grundrisse*, pp.602-3.

[6] See Chapter 23 below.

[7] *Grundrisse*, p.669.

[8] 'The non-identity of production-time with labour-time can be due generally only to natural conditions, which stand directly in the path of the valorisation of labour, i.e. the appropriation of surplus labour by capital. These obstacles in its path do not of course constitute advantages, but rather, from its point of view, losses.' (*Grundrisse*, p.670.)

living, employed during this production phase. The living labour-time alone – and, indeed, in the proportion in which it is employed relative to objectified labour-time – can create surplus-value, because [it creates] surplus labour-time . . .'[9] And it is for precisely this reason that it is impossible to attribute any value-creating role to production-time – as distinct from labour-time.

So much on the significance of the time factor, insofar as it applies to capital's stay in the sphere of production. However, it is still necessary for capital to spend time in the sphere of circulation, after the production phase is completed, which also takes time. What happens during this time: how does it affect the creation of value and the valorisation of capital?

In the first instance we should remain conscious of the fact that '*circulation proceeds in space and time*'. In this sense we have to distinguish between 'spatial' or 'real' circulation, and 'economic' circulation proper. The first – the physical bringing of products onto the market – 'belongs, economically considered . . . to the production process itself', and can be regarded 'as the transformation of the product into a *commodity*', since 'the product is really only finished when it is on the market. The movement through which it gets there belongs still with the cost of making it.'[10] In fact, transportation 'only changes the location of the product'. 'Whether I extract metals from mines, or take commodities to the site of their consumption, both movements are equally spatial.'[11] Transporting the product to market 'gives it a . . . new use-value (and this holds right down to and including the retail grocer, who weighs, measures, wraps the product and thus gives it a form for consumption),[12] and this new use-value costs labour-time, is therefore at the same time exchange-value.'[13] How-

[9] *ibid.* p.669.

[10] *ibid.* pp.533-34.

[11] *ibid.* p.523. 'If one imagines the same capital both producing and transporting, then both acts fall within direct production, and circulation . . . would begin only when the product had been brought to its point of destination.' (*ibid.*)

[12] Marx propounds the same standpoint in *Capital* III, Chapter XVII and *Capital* II, Chapter VI, Section II.

[13] *Grundrisse*, p.635. However, when the transported commodity 'has reached its destination, this change which has taken place in its use-value has vanished, and is now only expressed in its higher exchange-value, in the enhanced price of the commodity. And although in this case the real labour has left no trace behind it in the use-value, it is nevertheless realised in the exchange-value of this material product; and so it is true also of this industry as of other spheres of material production that the labour incorporates itself in the commodity . . .' (*Theories* I, p.413.)

ever, from this standpoint transport does not constitute a 'special case', in contrast to direct production – although it is true that the transportation industry distinguishes itself from the other areas of investment of productive capital by the fact that 'it appears as a continuation of a process of production *within* the process of circulation and *for* the process of circulation'.[14]

In contrast to 'real' circulation, which brings the products to the site of their consumption and thereby makes them into commodities for the first time, actual 'economic' circulation is simply a 'qualitative process of value', 'the change of form which value undergoes as it passes through different phases'.[15] This circulation also requires time – namely 'the time it necessarily costs to transform the commodity into money and the money back into commodity'.[16] However, does there not enter, precisely through this, 'a moment of value-determination . . . independently of labour, not arising directly from it, but originating in circulation itself?'[17]

Marx's answer is that this certainly is the case. 'In as much as the renewal of production depends on the sale of the finished products', or 'the transformation of the commodity into money and re-transformation of money into the conditions of production', and in as much as the stay in the sphere of circulation constitutes a necessary part of the life of capital, then 'how many products can be produced in a given period of time; how often capital can be valorised in a given period of time, how often it can *reproduce* and *multiply* its value . . . (depends naturally), on the velocity of circulation, the time in which it is accomplished'. This 'is evidently a condition not posited directly by the production process itself'.[18] Thus, it is obvious at first glance that if, for example, a capital of, say, 100 thalers passes through 4 turnovers in a year, and each time yields a profit of 5 per cent, then this is the same (disregarding any possible accumulation), 'as if a capital 4 times as large, at the same percentage . . . were to turn over *once* in one year – each time 20 thalers'. (In the original: 20 per cent.) 'The velocity of turnover, therefore – the remaining conditions of production being held constant – substitutes for the *volume* of capital.'[19] In this sense 'the more frequent turnover of capital in a given period of time' is the same as 'the more frequent harvests during the natural year in the southerly countries compared

[14] *Capital* II, p.155.
[15] *Grundrisse*, pp.524, 626.
[16] *ibid.* p.625.
[17] *ibid.* p.519.
[18] *ibid.* pp.537-38.
[19] *ibid.* p.519.

with the northerly'.[20] Hence the velocity of circulation is of the greatest importance for capital since it is evident that the speed of the production process depends on it, and, as a consequence, 'if not values themselves', then 'the volume of values to a certain degree'.[21]

However, in what sense does circulation time affect the determination of value? Let us return to the example of the harvests. We spoke of countries where a favourable climate allows frequent harvests. However, if for example 'the real conditions of wheat production in a given country permit only one harvest, then no velocity of circulation can make two harvests out of it'. But if, in contrast, 'an obstruction in the circulation occurred, if the farmer could not sell his wheat soon enough . . . then production would be delayed', and with this the net profit of the one harvest would be endangered.[22] That is, the most which can be achieved by means of the acceleration of circulation is the avoidance of the impediments to reproduction which are inherent in the nature of capital itself. So, the circulation time of capital is nothing other than the time of its devaluation,[23] if the first is shortened, then the second is shortened too. What certainly cannot be concluded from this is that the valorisation of capital has thereby become larger; merely that its devaluation (*Entwertung*) has become smaller.

Marx says further: 'The difference shows itself simply in this: if the totality of labour-time commanded by capital is set at its maximum, say infinity ∞, so that necessary labour-time forms an infinitely small part and surplus labour-time an infinitely large part of this ∞, then this would be the maximum valorisation of capital, and this is the tendency towards which it strives. On the other side, if the *circulation time of capital* were $= 0$, if the various stages of its transformation proceeded as rapidly in reality as in the mind, then that would likewise be the maximum of the factor by which the production process could be repeated, i.e. the number of capital valorisation processes in a given period of time. The repetition of the production process would be restricted only by the amount of time it lasts, the amount of time which elapses during the transformation of raw material into product.' By contrast, 'if either surplus labour-

[20] *ibid.* p.519.
[21] *ibid.* p.538.
[22] *ibid.* p.544.
[23] Cf. the beginning of the previous chapter. 'Just as grain when it is put in the soil as seed loses its immediate use-value, is devalued as immediate use-value, so is capital devalued from the completion of the production process until its re-transformation into money and from there into capital again.' (*ibid.* p.519.)

time or necessary labour-time = 0 i.e. if necessary labour-time absorbed all time, or if production could proceed altogether *without* labour then neither value, nor capital, nor value-creation would exist.'[24] 'It is clear, therefore, that circulation time, regarded absolutely, is a deduction from the maximum of valorisation, is < absolute valorisation. It is therefore impossible for any velocity of circulation or any abbreviation of circulation to create a valorisation > that posited by the production phase itself. The maximum that the velocity of circulation could effect, if it rose to ∞, would be to posit circulation time = 0, i.e. to abolish itself. It can therefore not be a positive value-creating moment, since its abolition – circulation without circulation time – would be the maximum of valorisation; its negation = to the highest position of the productivity of capital.'[25] Rather, circulation time can only influence value-creation and capital valorisation in a negative way, in that its acceleration or deceleration serve to shorten or extend merely the time during which capital is unable to employ productive labour and valorise itself.[26] 'In this respect, circulation time adds nothing to value; . . . does not appear as value-positing time, the same as labour-time.'[27]

But what about the costs of circulation, the expenditure of living or objectified labour, which result from 'passing through the various economic moments as such'? In this case the general law applies, i.e. '*that all costs of circulation which arise only from changes in the forms of commodities do not add to their value.* They are merely expenses incurred in the realisation of the value or in its conversion from one form into another. The capital spent to meet those costs (including the labour done under its control) belongs among the *faux frais* of capitalist production. They must be replaced from the surplus-product and constitute, as far as the entire capitalist class is concerned, a deduction from the surplus-value or surplus-product, just as the time a worker needs for the purchase of his means of subsistence is lost time'.[28]

The *Rough Draft* illustrates this with the following example: 'If, of two individuals, each one were the producer of his own product, but their labour rested on division of labour, so that they exchanged with each other, and the valorisation of their product depended . . . on this exchange, then obviously the time which this

[24] *ibid.* pp.538-39.
[25] *ibid.* pp.629-30.
[26] Cf. *Capital* II, p.128.
[27] *Grundrisse*, p.626.
[28] *Capital* II, p.152.

exchange would cost them, e.g. the mutual bargaining, calculating before closing the deal, would not make the slightest addition either to their products or to the latter's exchange-values.[29] If A were to argue that the exchange takes up such and such a quantity of time, then B would respond in kind. Each of them loses just as much time in the exchange as the other. The exchange time is their common time. If A demanded 10 thalers for the product – its equivalent – and 10 thalers for the time it costs him to get the 10 thalers from B, then the latter would declare him a candidate for the madhouse.' This is because the loss of time, which both suffer through the acts of exchange arises simply 'from the division of labour, and the necessity of exchange',[30] and must, therefore, appear as a deduction from their productive activity. ('If A produced everything himself, then he would lose no part of his time in exchange with B, or in transforming his product into money and the money into product again.') However, if the producers were to find that 'they could save time by inserting a third person, C, as a middleman between them, who consumed his time in this *circulation process*', (of course this would be if not only A and B, but a larger number of producers were to do the same), then, 'each of them would have to cede . . . a share of his product to C. What they would gain thereby would only be *a greater or lesser loss*.'[31]

Marx concludes that for this reason the actual costs of circulation 'can never multiply value', 'are not reducible to productive labour-time'. They are the *faux frais* of commodity production, and as such are inseparable from the capitalist mode of production.[32] 'Merchant's trade and still more the money trade proper' are to be understood in this sense. Insofar as they reduce the costs of exchange by their intervention 'they add to production, not by *creating* value, but *by reducing the negation of created values* . . . If they enable the producers to create more values than they could without this division of labour, and, more precisely, so much more that a surplus remains

[29] 'If the owners of the commodities are not capitalists but independent direct producers, the time employed in buying and selling is a diminution of their labour-time, and for this reason such transactions used to be deferred (in ancient and medieval times) to holidays.' (*ibid.* p.133.)

[30] Marx later summarises his argument by saying: 'It is wrong, therefore, for J.St.Mill to regard the cost of circulation as necessary price of the division of labour. It is the cost only of the spontaneously arisen division of labour, which rests not on community of property, but on private property.' (*Grundrisse*, p.633.)

[31] *ibid.* pp.624-25, 633.
[32] *ibid.* pp.625, 633.

after the payment of this function, then they have in fact increased production. Values are then increased however, not because the operations of circulation have created value, but because they have absorbed less value than they would have done otherwise. But they are a necessary condition for capital's production.'[33]

But what about the time which the capitalist himself loses in exchange? Shouldn't it also be regarded as 'labour-time', and consequently as 'value-creating'? Not at all, since he is only a capitalist 'i.e. representative of capital, personified capital . . . by virtue of the fact that he relates to labour as alien labour, and appropriates and posits alien labour for himself . . . The fact that the worker must work surplus labour-time is identical with the fact that the capitalist does not need to work, and his time is thus posited as not-labour-time; that he does not work the *necessary* time either. The worker must work surplus time in order to be allowed to objectify . . . the labour-time necessary for his reproduction. On the other side, therefore, the *capitalist's necessary labour-time* is *free* time, not time required for direct subsistence.' And Marx says that it is precisely for this reason that the time which the capitalist employs for the exchange of the commodities produced by him, 'looked at economically', 'concerns us here exactly as much as the time he spends with his mistress'.[34] 'If time is money, then from the standpoint of capital it is only alien labour-time, which is of course in the most literal sense the capitalist's money.' Circulation time 'interrupts the time during which capital can appropriate alien labour-time, and it is clear that this relative devaluation of capital cannot add to its valorisation, but can only detract from it; or, insofar as circulation costs capital objectified alien labour-time, values. (For example because it has to pay someone who takes over this function.) In both cases, circulation time is of interest only insofar as it is the suspension, the negation of alien labour-time';[35] and in both cases it proves to be a barrier to the productivity of capital, and a deduction from surplus labour-time and from surplus-value.

However, aren't the differences in valorisation which are the product of differences in the circulation times of different capitals, equalised by the general rate of profit -- in the same way as the difference between production-time and labour-time mentioned at the

[33] *ibid.* p.633.

[34] Marx states further on in the text, 'Otherwise, it could still be imagined that the capitalist draws compensation for the time during which he does not earn money as another capitalist's wage-labourer . . .'

[35] *Grundrisse*, p.634.

beginning of this chapter?[36] Certainly. 'As long as capital remains frozen in the form of the finished product, it cannot be active as capital, it is *negated* capital . . . This thus appears as a loss for capital, as a relative loss of its value, for its value consists precisely in the valorisation process . . . Now let us imagine *many* capitals in particular branches of business, all of which are *necessary* (which would become evident if, in the eventuality of a massive flight of capital from a given branch, supply falling below demand, the market price would therefore rise above the natural price in that branch; i.e. above the price of production), and let a single branch of business require e.g. that capital A remain longer in the form of devaluation, i.e. that the time in which it passes through the various phases of circulation is longer than in all other branches of business – in which case this capital A would regard the smaller new value which it could produce as a positive loss, just as if it had so many more outlays to make in order to produce the same value. It would thus charge relatively more exchange-value for its products than the other capitals, in order to share the same rate of gain. But this could take place in fact only if the loss were distributed among the other capitals.'

Marx continues: 'Nothing more absurd, then, than to conclude that, because one capital obtains a compensation for its *exceptional* circulation time . . . now that all capitals [are] combined, *capital* can make something out of nothing, make a plus out of a minus – make a plus surplus-value out of a minus surplus-value . . . The manner in which the capitals among other things compute their proportional share of the *surplus-value* – not only according to the surplus labour-time which they set in motion, but also *in accordance with the time which their capital has worked as such* i.e. lain fallow, found itself in the phase of devaluation – does not of course alter in the least the total sum of the surplus-value which they have to distribute among themselves. This sum itself cannot grow by being smaller than it would have been if capital A, instead of lying fallow, had created surplus-value . . . And this *lying-fallow* is made good for capital A only insofar as it arises necessarily out of the conditions of the particular branch of production, and hence appears in respect to *capital as such*

[36] Marx deals with the question of the general rate of profit (or average rate) in several parts of the *Rough Draft*, although, as we already know, this theme did not, according to the original plan, come under the scope of 'capital in general', but under 'many capitals'. It is therefore no accident that in the final work the average rate of profit is first dealt with in Volume III, where the representation approximates more to the concrete forms of capital i.e. the sphere of competition. (See Chapter 25 below.)

as a burden on valorisation, as a *necessary barrier* to its valorisation generally.'[37]

And we read in another section of the *Rough Draft*: 'If one thinks of one capital, or one thinks of the various capitals of a country as one capital (national capital) as distinct from that of other countries,[38] then it is clear that the time during which this capital does not act as a productive capital i.e. posits no surplus-value, is a deduction from the valorisation time available to this capital. It appears as the negation not of the really posited valorisation time, but of the *possible* valorisation time, i.e. possible, if circulation time = 0. It is clear, now, that the national capital cannot regard the time during which it does not multiply itself as time in which it does multiply itself, no more than e.g. an isolated peasant can regard the time during which he can neither harvest nor sow, during which his labour generally is interrupted, as time which makes him rich.' Marx adds: 'The fact that capital regards itself, and necessarily so, as productive and fruit-bearing independently of labour, of the absorption of labour', that it 'assumes itself as fertile at all times, and calculates its circulation time as value-creating time – as production cost – is quite another thing'.[39] However, the reason why this semblance arises, and must arise, will not be shown until we have studied the 'secondary process of valorisation', i.e. profit and the general rate of profit.[40]

One remark in conclusion. What has been stated in this chapter can also naturally be applied to money, and the circulation of money. We read in the *Rough Draft*: '*Money* itself, to the extent that it consists of precious metals, or its production generally – e.g. in paper circulation – creates expense, to the extent that it also costs labour-time, adds no value to the exchanged objects – to the exchange-values; rather its costs are a deduction from these values, a deduction which must be borne in proportional parts by the exchangers.'[41] And in another passage: 'Regarded in both of the aspects in which it occurs in the circulation of capital, both as medium of circulation and as the realised value of capital, money belongs among the costs of circulation insofar as it is itself labour-time employed to abbreviate circulation time on the one hand, and, on the other, to represent a

[37] *Grundrisse*, pp.546-48.
[38] Cf. pp.44-48 above.
[39] *Grundrisse*, p.662. Cf. *Capital* II, p.128: 'But Political Economy sees only what is apparent, namely the effect of circulation time on capital's valorisation process in general. It takes this negative effect for a positive one, because its consequences are positive.'
[40] See Chapter 25 below.
[41] *Grundrisse*, p.625.

qualitative moment of circulation – the retransformation of capital into itself as value-for-itself. In neither aspect does it increase the value. In one aspect it is a precious form of representing value, i.e. a costly form, costing labour-time, hence representing a deduction from surplus-value. In the other aspect it can be regarded as a machine which saves circulation time, and hence frees time for production. But insofar as it itself, as such a machine, costs labour and is a product of labour, it represents for capital *faux frais de production*. It figures among the costs of circulation.' Hence capital's striving 'to suspend it in its inherited, immediate reality, and transform it into something merely *posited* and at the same time suspended by capital, into something purely ideal.'[42] We have already seen from Marx's remarks cited in Chapter 9 precisely why this tendency cannot be fully realised, and we shall return to this subject once more in the chapter on interest and profit.[43]

[42] *ibid.* pp.670-71. We read further in the text that, 'Supersession of money in its immediate form appears as a demand made by money circulation once it has become a moment of the circulation of capital; because in its immediate, presupposed form it is a barrier to the circulation of capital. The tendency of capital is circulation without circulation time; hence also the positing of the instruments which merely serve to abbreviate circulation time as mere formal aspects posited by it . . .' (*ibid.*)
[43] See Chapter 27 below.

23.

The Turnover of Capital and Turnover Time. The Continuity of Capitalist Production and the Division of Capital into Portions

We have already pointed out on several occasions that the life-span of capital is by no means confined to the actual process of production, but equally includes its circulation process. 'These form the two great sections of its movement, which appears as the totality of these two processes. On one side labour-time, on the other, circulation time. And the whole of the movement appears as unity of labour-time and circulation time, as unity of production and circulation. This unity itself is motion, process. Capital appears as this unity-in-process of production and circulation, a unity which can be regarded both as the totality of the process of its production, as well as the specific completion . . . of *one* movement returning into itself.'[1]

In other words, the circuit of capital – understood as the movement of capital through its various phases (from the advance of the capital-value to its return) – can be looked at in two ways: either as an individual, self-contained process, or as the same circuit in its periodicity, in its continual repetition. Marx adopted both methods of study in Volume II of the final work. The first was used in Part I of Volume II of *Capital*, where he was concerned with 'the forms which capital continually assumes and discards in its circuit' as well as 'the different forms of this circuit itself'.[2] (The fact that the circuit of capital was constantly repeated could contribute nothing substantial to the analysis at this point.) It was a different matter in the section which followed, Part II of Volume II, where Marx wanted to show how every industrial capital appears in the forms of productive capital, money-capital and commodity-capital, 'within the flow and succession of forms', 'simultaneously, if in varying degrees', where

[1] *Grundrisse*, p.620.

[2] *Capital* II, p.357. It should be mentioned here that the theme dealt with in Part I of Volume II ('The Metamorphoses of Capital and Their Circuits') – the reading of which presents such difficulties, but which surely represents a high point in the application of the dialectical method – is totally absent in the *Rough Draft*, which is a considerable weakness in the presentation of the circulation process there.

these forms, 'not only alternate with one another, but different portions of the total capital-value are constantly side by side and function in these different states'.[3] And this could only be represented if the circuit of capital was regarded not as one isolated segment, but as the totality of the movement of the capital-value-in-process.

We read in Volume II that 'a circuit performed by a capital and meant to be a periodical process, not an individual act, is called its turnover. The duration of this turnover is determined by the sum of its time of production and its time of circulation. This time total constitutes the time of turnover of the capital. It measures the interval of time between one circuit period of the entire capital-value and the next, the periodicity in the process of life of capital, or, if you like, the time of the renewal, the repetition, of the process of valorisation, or production, of one and the same capital-value.'[4]

What, then, is the significance of the turnover of capital in the circulation process of the capitalist economy?

The importance of this question will become particularly evident when we come to the representation of the specific types of turnover of fixed and circulating capital,[5] and a more precise definition of the average rate of profit.[6] It is sufficient here to recapitulate briefly what we established in the previous chapter.

Since the turnover time of capital is equal to the sum of its production-time and its circulation time, it is clear that differences in the duration of the turnover can originate from both factors – that is, from both the production-time and the circulation time.

As far as production-time is concerned, two facts are relevant here. In the first place, there are differences in the duration of labour which different products require for their production. One product may be completed within a week, another, perhaps, not until after several months – even if the labour-time which is employed daily in both cases is the same. This difference in the periods of labour[7] required for the production of the two products must, of course, also

[3] *ibid.* p.357.

[4] *ibid.* p.158.

[5] See Chapter 24 below.

[6] See Chapter 25 below.

[7] 'When we speak of a working day we mean the length of working time during which the worker must daily spend his labour-power, must work day by day. But when we speak of a working period we mean the number of connected working days required in a certain branch of industry for the manufacture of a finished product. In this case the product of every working day is but a partial one, which is further worked upon from day to day, and only at the end of the longer or shorter working period receives its finished form, is a finished use-value.' (*Capital* II, p.234.)

imply a difference in the turnover periods of the capitals concerned.[8] Secondly, we should refer to the difference between production-time and labour-time, which we have already met. The question here is of those interruptions to the production process which are 'independent of the length of the labour process, and conditioned by the nature of the product and its manufacture themselves'. During these interruptions 'the object of labour is subject to natural processes, which may take a shorter or longer time, in which it has to go through physical, chemical and physiological changes, during which the labour process is either totally or partially suspended'.[9] In this situation the production-time is greater than the labour-time, and it is clear that the turnover period of capital will be extended 'in accordance with the length of that production-time which does not consist of labour-time'.[10] And finally, we have the division into fixed and circulating capital which arises from the variation in the material forms in which productive capital exists, which results in the turnover of capital being subject to considerable modifications – as we shall see in the next chapter.

Even more important still are the variations in the periods of turnover which originate during the circulation phase. As we saw, 'the more rapid the circulation, the shorter the circulation time, the more often can the same capital repeat the production process. Hence, in a specific cycle of turnovers of capital, the sum of values created by it (hence surplus-value as well) . . . is *directly proportional to the labour-time and inversely proportional to the circulation time* . . . the total value = labour-time, multiplied by the number of turnovers of the capital.' Or, the value created by capital no longer seems to be simply determined by the labour employed in the production process, 'but rather by the coefficient of the production process; i.e. the number which expresses how often it is repeated in a given period of time'.[11] However, what follows from this is that even with capitals of the same magnitude, organic composition, and rate of surplus-value, the duration of the turnover period can be very different – hence that in this sense (as it states in the *Rough Draft*) the circulation time 'is itself a moment of production, or rather appears as a limit to production'.[12] However, the real concern of this chapter is something different, namely, a new contradiction of the capitalist

[8] See *Capital* II, Chapter XII.
[9] *ibid.* p.242.
[10] *ibid.* p.243.
[11] *Grundrisse*, p.627.
[12] *ibid.* p.628.

mode of production, which is revealed by the necessity of circulation and circulation time.

We saw that capital 'by its nature only preserves its character as capital in that it constantly functions as capital in the repeated process of production'.[13] Consequently, 'the *constant continuity* of the process, the unobstructed and fluid transition from one form into the other, or from one phase of the process into the next, appears as a fundamental condition for production based on capital to a much greater degree than for all earlier forms of production.'[14] Naturally, this continuity of production would best be ensured if there were no necessity at all for circulation time. However, this is impossible, since it is inherent in the nature of capital that it actually 'travels through the different phases of circulation not as it does in the mind, where one concept turns into the next at the speed of thought, in no time, but rather as situations which are separate in time. It must spend some time as a cocoon before it can take off as a butterfly. Thus the conditions of production arising out of the nature of capital itself contradict each other.'[15] They can only be mediated in practice (disregarding credit), 'by capital's dividing itself into parts, of which one *circulates as finished* product, and the other *reproduces itself in the production process*. These parts alternate; when one part returns into phase *P* (production process), the other departs. This process takes place daily, as well as at longer intervals . . . The whole capital and the total value are reproduced as soon as both parts have passed through the production process and circulation process, or as soon as the second part enters anew into circulation. The point of departure is thereby the terminal point. The turnover therefore depends on the size of the capital or rather . . . on the *total sum* of these two parts. Only when the total sum is reproduced has the entire *turnover* been completed; otherwise only $\frac{1}{2}$, $\frac{1}{3}$, $1/x$, depending on the proportion of the constantly circulating part.'[16]

'The question', continues Marx, 'is what part of the capital can now be continuously occupied in production (during the whole year)?' 'This matter must be reducible to a very simple equation, to which we shall return later[17] . . . This much is clear however. Call production time *pt*, circulation time *ct*. Capital *C*. *C* cannot be in its

[13] *ibid.* p.403.
[14] *ibid.* p.535.
[15] *ibid.* pp.548-49.
[16] *ibid.* p.661.
[17] See *Capital* II, Chapter XV (Effect of the Time of Turnover on the Magnitude of Capital Advanced).

production phase and its circulation phase at the same time. If it is to continue to produce while it circulates, then it must break into two parts, of which one in the production phase, while the other in the circulation phase, and the continuity of the process is maintained by part *a* being posited in the former aspect, part *b* in the latter. Let the portion which is always in production be x; then $x = C\text{-}b$ (let *b* be the part of the capital always in circulation) . . . If *ct*, circulation time, were = 0, then *b* likewise would be = 0, and $x = C.\ b$ (the part of the capital in circulation) : *C* (the total capital) = *ct* (circulation time) : *pt* (production-time); $b : C = \text{ct} : pt$; i.e. the relation of circulation time to production-time is the relation of the part of capital in circulation to the total capital.'[18]

Nevertheless, all that is achieved by the division of the capital into portions is that the whole capital does not have to interrupt its production process for the period of circulation – the continuity of the process is maintained. (If this were not the case, if the whole of the capital-value had to function first as money-capital, then as productive capital, and finally as commodity capital, then, instead of production being carried out continuously, it would take place 'in jerks and would be renewed only in periods of accidental duration according to whether the two stages of the process of circulation[19] were accomplished quickly or slowly,'[20] a state of affairs which is already ruled out by the technical basis of capitalist production). Despite this, the division of capital into portions cannot prevent some parts of capital from lying fallow in every capitalist undertaking, thus preventing its valorisation.[21] Hence capital's necessary tendency to cut circulation time by improving communications, developing the credit system etc. i.e. to establish 'a circulation without circulation

[18] *Grundrisse*, p.666.

[19] What are meant are the stages: M–C, or, more precisely, $M \begin{cases} LP \\ MP \end{cases}$ (Purchase of labour-power and the means of production) and C′–M′ (Retransformation of the capital-value expanded in production into its original money-form).

[20] *Capital* II, p.105.

[21] 'The effect of the turnover on the production of surplus-value and consequently of profit . . . briefly summarised . . . [is that] owing to the time span required for turnover, not all the capital can be employed all at once in production; some of the capital always lies idle, either in the form of money-capital, of raw material supplies, of finished but still unsold commodity-capital, or of outstanding claims; that the capital in active production, i.e. in the production and appropriation of surplus-value, is always short by this amount, and that the produced and appropriated surplus-value is always curtailed to the same extent.' (*Capital* III, p.70. This chapter was in fact written by Engels.)

time'. This is an aspect we shall return to in Chapter 27 'Fragments on Interest and Credit'.]

Because the turnover time of capital includes both labour-time and circulation time, nothing is easier than to credit to the latter what is in fact contributed by the former, thus attributing to capital 'a mystical spring of self-valorisation independent of its process of production, and hence of the exploitation of labour . . . which flows to it from the sphere of circulation'.[22] This conception forms the basis for most of the illusions of both the capitalists themselves and the bourgeois economists, who are ensnared in the capitalist manner of thinking.

[22] *Capital* II, p.128. (Cf. *Grundrisse*, p.640.)

24.
The Characteristic Forms of Fixed and Circulating (Fluid) Capital

1.

In his Preface to Volume III of *Capital* Engels refers to the common misunderstanding, according to which Marx, 'wishes to define, where he only investigates' and that one is generally entitled to 'expect fixed, cut-to-measure, once and for all applicable definitions in Marx's works'. He says: 'It is self-evident that where things and their interrelations are conceived, not as fixed, but as changing, their mental images, the ideas, are likewise subject to change and transformation; and they are not encapsulated in rigid definitions, but are developed in their historical or logical process of formation.'[1]

The truth of this remark can perhaps be seen best and most clearly in Marx's analysis of the conceptual distinction between fixed and circulating capital. To recapitulate: capital's principal concern in the production process was valorisation, where the only important distinction was between objectified labour and living labour. Living labour was the sole means by which capital could both maintain and increase its value. As a consequence the analysis was confined to the one crucial distinction for the valorisation of capital – that between constant and variable capital.[2]

However, valorisation only constitutes one stage in the life-span of capital. Seen as a whole capitalist production consists in the continuous alternation between its production phase and its circulation phase; it is the unity of production and circulation. 'This unity itself is movement, process', and the subject of this movement is capital – 'the value . . . predominant over the different phases of this movement, . . . sustaining and multiplying itself in it'.[3] 'The passage from

[1] *Capital* III, pp.13-14. Cf. Chapter XI of Volume II (p.230), which is headed 'Theories of Fixed and Circulating Capital': 'It is not a question here of definitions, which things must be made to fit. We are dealing here with definite functions which must be expressed in definite categories.'

[2] 'We divided capital above into constant and variable value; this is always correct as regards capital within the production phase, i.e. in its immediate valorisation process.' (*Grundrisse*, p.649.)

[3] *ibid.* p.620.

one moment to the other appears as a particular process, but each of these processes is the transition to the other. Capital is thus posited as value-in-process, which is capital in every moment. It is thus posited as *circulating capital*;[4] in every moment capital, and circulating from one form into the next.' From this point of view 'all capital is originally circulating capital, product of circulation, as well as producing circulation . . .'[5] 'Circulating capital' is 'therefore initially not a *particular* form of capital, but is rather *capital* itself . . . as subject of the movement just described, which it, itself, is as its own valorisation process'.[6]

Nevertheless, capital is not only the unity of production and circulation, but also 'equally their *difference*, and in fact a difference distinct in space and time.' Thus if capital 'as the whole of circulation[7] is *circulating capital*, is the process of going from one phase into the other, it is at the same time, within each phase, posited in a specific aspect, restricted to a particular form, which is the negation of itself as the subject of the whole movement . . . Not-circulating capital. *Fixed* capital, actually *fixated* capital, fixated in one of the different particular aspects, phases, through which it must move.' That is as long as capital 'persists in one of these phases, the phase does not appear as fluid transition (and each of them has its duration), is not circulating [but] fixed. As long as it remains in the production process it is not capable of circulating; and it is virtually devalued. As long as it remains in circulation, it is not capable of producing, not capable of positing surplus-value, not capable of engaging in the process as capital. As long as it cannot be brought to market, it is fixated as product. As long as it has to remain on the market it is fixated as commodity. Finally, if the conditions of production remain in their form as conditions and do not enter into the production process, it is again fixated and devalued. As the subject moving through all phases, as the moving unity, the unity-in-process of circulation and production, capital is *circulating* capital; capital as restricted into any of these phases, as posited in its *divisions*, is

[4] Marx's original term here is '*capital circulant*'. In *Capital* II, p.156 the expression 'circling capital' is used, 'the return of the circling capital-value . . .'

[5] *Grundrisse*, p.536. Cf. *Capital* II, p.161: 'We have seen in general that all capital-value is constantly in circulation, and that in this sense all capital is circulating capital.'

[6] *Grundrisse*, p.620.

[7] 'Circulation' should be understood to mean the movement of capital through all its phases. (Cf. *Grundrisse*, p.517: 'If we now consider circulation, or the circulation of capital as a whole . . .')

fixated capital, *tied-down* capital. As circulating capital it fixates itself, and as fixated capital it circulates.' Therefore, the distinction between circulating and fixed capital 'is initially nothing more than capital itself posited in the two aspects, first as the unity of the process, then as a particular one of its phases . . .'[8] And both aspects are absolutely real (*reell*) – since capital equally represents both the unity of production and circulation, as well as their difference, and because both the continuity and the interruption of this continuity are inherent 'in the character of capital as circulating, in process'.[9]

So much on the concepts of 'circulating' (circling) and 'fixed' capital, as they emerge from the study of the total movement of capital. It is clear that the question here is not of 'two particular *kinds* of capital', but rather of '*different characteristic forms of the same capital*'.[10] '*One and the same capital* always appears in both states; this is expressed by the appearance of one part of it in one phase, another in another; one part tied down, another part circulating; circulating here, not in the sense that it is in the *circulatory phase proper* as opposed to the *production phase*, but rather in the sense that in the phase in which it finds itself, it is in a *fluid phase*, a phase-in-process, a phase in transition to the next phase; not stuck in one of them as such and hence delayed in its total process. For example : the industrialist uses only a part of the capital at his disposal . . . in production, because another part requires a certain amount of time before it comes back out of circulation. The part moving within production is then the circulating part; the part in circulation is the immobilised part . . . to be sure, sometimes one and sometimes another part is in this phase . . . but his total capital is always posited in both aspects.'

However, 'as this limit arising out of the nature of the valorisation process . . . changes with circumstances, and since capital can approach its adequate character as that which circulates, to a greater or lesser degree; since the decomposition into these two aspects . . . contradicts the tendency of capital towards maximum valorisation, it therefore invents contrivances to abbreviate the phase of fixity; and at the same time also, instead of the simultaneous coexistence of both states, *they alternate*. In one period the process appears as altogether fluid – the period of the maximum valorisation of capital; in another, a reaction to the first, the other moment asserts itself all the

[8] *ibid.* pp.620, 621. An echo of these arguments can be found in *Capital* II, p.47.
[9] *Grundrisse*, p.663.
[10] *ibid.* pp.621-22.

more forcibly – the period of the maximum devaluation of capital and congestion of the production process. The moments in which both aspects appear alongside one another themselves only form interludes between these violent transitions and turnings-over.' Marx notes at this juncture that 'it is extremely important to grasp these aspects of circulating and fixed capital as *specific characteristic forms* of capital generally, since a great many phenomena of the bourgeois economy – the period of the economic cycle . . ., the effect of new demand, even the effect of new gold- and silver-producing countries on general production – [would otherwise be] incomprehensible.'[11] For 'it is futile to speak of the stimulus given by Australian gold or a newly-discovered market. If it were not in the nature of capital to be never completely occupied, i.e. always partially *fixated*, devalued, unproductive, then no stimuli could drive it to greater production.'[12]

2.

However, this distinction between 'fixed' and 'circulating' capital is insufficient when we turn to the circulation process proper, the movement of capital outside the production phase. Here we see that different constituent parts of capital circulate in different ways, and therefore exhibit different turnover times. Thus the means of labour (machines etc.) never leave the actual site of production; it is only their value which circulates, through their successive and piecemeal transfer to the product. But the remaining means of production (raw material and auxiliary material),[13] and the variable capital advanced for the purchase of labour-power circulate in a quite different manner. These differing modes of circulation lead to the first factor receiving the form of 'fixed', and the second that of 'circulating' or 'fluid' capital.

Thus, whereas up to now fixed and circulating capital 'appeared to us merely as different transitory aspects of capital . . . as alternating forms of one and the same capital in the various phases of its turnover . . . they have now hardened into two particular modes of its

[11] *ibid.* pp.622-23.
[12] *ibid.*
[13] However, 'If a means of production which is not an instrument of labour strictly speaking, e.g. an auxiliary substance, a raw material, a partly finished article, etc., behaves with regard to value-yield, and hence the manner of circulation of its value, in the same way as the instruments of labour, then it is equally a material bearer, a form of existence, of fixed capital.' (*Capital* II, p.164.)

existence', two particular kinds of capital. Insofar as 'a capital is examined in a particular branch of production, it appears as divided into these two portions, or splits into these two kinds of capital in certain proportions'.[14] 'To be fixed or circulating appears as a *particular* aspect of capital apart from that of being capital. However,' stresses Marx, 'it must proceed to this particularisation',[15] which is connected to the specific use-value of these components of capital.

The fact that we have examined the fortunes of capital in the sphere of production meant that the material differences between the various elements of production were only looked at in the context of the actual labour process, we had to differentiate between means of labour, material for labour and living labour. By contrast, in the process of the creation of value the constituent parts of capital which represent the elements of production appeared simply as quantities of value, whose only mark of distinction was the fact that one was designated as 'constant', and the other (capital laid out for the purchase of labour-power) as 'variable'. Now, however, in the categories of liquid and fixed capital, 'the relation between the factors, which had been merely quantitative . . . appears as a qualitative division within capital itself, and as a determinant of its total movement (turnover)'.[16] For a capital is only 'fixed', insofar as it physically takes on the shape of a means of labour in the production process. This implies that it gives up value to the product, and hence turns over, in a particular manner. '*The particular nature of use-value*, in which the value exists, or which now appears as capital's body, here appears as itself a *determinant* of the *form* and of the action of capital: as giving one capital a particular property as against another; as particularising it.'[17] That is, use-value reveals itself once more 'as an economic category'. However, we have already dealt with this question in more detail in Part I (in the chapter on the role of use-value in economics), and what was said there applies here as well.

[14] *Grundrisse*, p.702. Marx notes in the *Rough Draft* that 'in the human body, as with capital, the different elements are not exchanged at the same rate of reproduction, blood renews itself more rapidly than muscle, muscle than bone, which in this respect may be regarded as the fixed capital of the human body'. (*ibid.* p.670.)

[15] *ibid.* p.645. Cf. Marx's plan on p.275 of the *Grundrisse*, '(2). Particularisation of capital: (a) capital circulant, capital fixe.'

[16] *ibid.* p.692. ('The split within capital as regards its merely physical aspect has now entered into its form itself, and appears as differentiating it.' *ibid.* p.703.)

[17] *ibid.* p.646.

3.

It is unnecessary here to show in detail how the conceptual distinction between 'fixed' and 'fluid' capital is developed in the *Rough Draft*, since we encounter the results of Marx's investigation of this question in a more complete form in Volume II of *Capital*. Consequently we will confine ourselves to those points where the representation in the *Rough Draft* diverges from that in *Capital*, or where the older manuscript stresses aspects which remain in the background in *Capital* itself.

Let us look first of all at the sections superseded by the later work. According to the *Rough Draft* circulating capital consists firstly of raw materials and auxiliary materials, and secondly of the so-called *approvisionnement* of the worker i.e. his means of subsistence.[18] The latter are the object of so-called 'small-scale' circulation, as distinct from the actual or 'large-scale' circulation of capital.[19] 'This is the constantly circulating part of capital . . . which does not even for a single instant enter into its reproduction process, but constantly accompanies it . . . The worker's *approvisionnement* arises out of the production process as products, as result; but it never enters as such into the production process, because . . . it enters directly into the worker's consumption, and is directly exchanged for it. This, therefore, as distinct from raw material as well as instrument, is the circulating capital *par excellence*.'[20]

This is what the *Rough Draft* says. How is this same question answered in Volume II of *Capital*? Naturally, Marx also emphasises there that 'the money which the capitalist pays the worker for the

[18] '. . . *Approvisionnement*, as Cherbuliez calls it' refers to 'the products presupposed so that the worker lives as a worker and is capable of living during production, before a new product is created'. It is 'money expressed in the form of articles of consumption, use-values', which the workers 'obtain from the capitalist in the act of exchange between the two of them'. (*ibid.* pp.299-300.)

[19] 'Within circulation as the total process, we can distinguish between large-scale and small-scale circulation. The former spans the entire period from the moment when capital exits from the production process until it enters it again. The second is continuous and constantly proceeds simultaneously with the production process. It is the part of capital which is paid out as wages, exchanged for labour-capacity.' (*ibid.* p.673.)

[20] *ibid.* p.675. This passage concludes: 'Here is the only moment in the circulation of capital where consumption enters directly . . . Here, then – through the relation of capital to living labour-capacity and to the natural conditions of the latter's maintenance – we find circulating capital specified in respect of its use-value as well, as that which enters directly into individual consumption, to be directly used up by the latter.' (*ibid.* pp.675-76.)

use of his labour-power is nothing more or less than the form of the general equivalent for the worker's necessary means of subsistence. To this extent, the variable capital consists in substance of means of subsistence.' However, it is 'the worker himself who converts the money received for his labour-power into means of subsistence, in order to reconvert them into labour-power, to keep alive'. By contrast what the capitalist buys and consumes in the production process 'is not the worker's means of subsistence, but his labour-power itself'. 'It is therefore not the worker's means of subsistence which acquire the definite character of circulating capital as opposed to fixed capital. Nor is it his labour-power. It is rather that part of the value of productive capital which is invested in labour-power and which, by virtue of the form of its turnover, receives this character in common with some, and in contrast with other, component parts of the constant capital.'[21] (That is, it receives this character because this part of value and similarly the value of auxiliary and raw materials, completely enters into the value of the product each time, and must therefore be completely replaced from it.)

In addition, however, *Capital* examines the reasons which led bourgeois economics to characterise the worker's means of subsistence as 'circulating' capital, in contrast to fixed capital. These originate primarily in the class nature of this school of economics – in its instinctive aversion to too deep an investigation into the 'secret of the making of profits'. 'Generally speaking, the capital advanced is converted into productive capital, i.e. it assumes the form of elements of production which are themselves the products of past labour. (Among them labour-power.) . . . Now, if instead of labour-power itself, into which the variable part of capital has been converted, we take the worker's means of subsistence, it is evident that these means as such do not differ, so far as the formation of value is concerned . . . The means of subsistence cannot themselves expand their own value or add any surplus-value to it. Their value, like that of the other elements of the productive capital, can reappear only in the value of the product. They cannot add any more value to it than they themselves possess.' Hence by characterising 'the value expended for the means of subsistence of the workers, instead of the value laid out in labour-power, as the circulating component of productive capital, the understanding of the distinction between variable and constant capital, and thus the understanding of the capitalist process of production in general, is rendered impossible. The determination that this part of capital is variable capital in contrast to the constant

[21] *Capital* II, pp.168-69.

capital, spent for material creators of the product, is buried beneath the determination that the part of the capital invested in labour-power belongs, as far as the turnover is concerned, in the circulating part of productive capital. And the burial is brought to completion by enumerating the worker's means of subsistence instead of his labour-power as an element of productive capital.'[22]

In the *Rough Draft*, however, Marx still treated the worker's means of subsistence or the *approvisionnement* throughout as a component of circulating capital! Of course the above-mentioned explanation for this error could have played no role here, since it was precisely in the *Rough Draft* that Marx first developed the concepts of variable and constant capital, thus giving his theory of surplus-value its final shape. The source of error must therefore lie elsewhere. In our opinion it arises from the neglect of, or insufficient stress on, the perspective developed in Volume II of *Capital*; namely that in the case of the distinction between fluid and fixed capital the question is exclusively that 'of differences within the *productive* capital in the product- and value-creating process, which in turn cause differences in its turnover and reproduction'.[23] In other words, the *Rough Draft* to some extent makes the very mistake Marx later blamed Adam Smith for; namely, that he 'confuses circulating as distinguished from fixed capital with forms of capital pertaining to the sphere of circulation, with capital of circulation[24] . . . He therefore

[22] *ibid.* pp.216-18. Cf. *ibid.* pp.225-26: 'The real substance of the capital laid out in wages is labour itself, active, value-creating labour-power, living labour, which the capitalist exchanges for dead, objectified labour and embodies in his capital, by which means, and by which alone, the value in his hands turns into self-valorising value . . . But, if, on the contrary, the secondary definition of the circulating capital, which it shares with a part of the constant capital (raw material and auxiliary materials), is made the essential definition of the part of capital laid out in labour-power . . . then the part of the capital laid out in wages must likewise consist, materially, not of active labour-power but of the material elements which the worker buys with his wages, i.e. it must consist of that part of the social commodity-capital which passes into the consumption of the worker, viz., means of subsistence.'

[23] *ibid.* p.195.

[24] The term 'capital of circulation' is used in Volumes II and III of *Capital* to mean 'capital-value in those of its forms which belong in the circulation process (commodity-capital and money-capital)'. 'No matter how much money-capital and commodity-capital may function as capital and no matter how smoothly they may circulate, they cannot become circulating capital as distinct from fixed capital until they are transformed into circulating components of productive capital. But because these two forms of capital dwell in the sphere of circulation, Political Economy as we shall see has been misled since the time of Adam Smith into lumping them together with the circulating part of the productive capital . . . They are indeed capital of

mixes up commodity-capital and the circulating component of productive capital, and in that case it is a matter of course that whenever the social product assumes the form of commodities, the means of subsistence of the workers . . . must be supplied out of the commodity-capital'[25] (and from this standpoint appear to belong to 'circulating' capital).[26]

4.

Now to an aspect which is elaborated much more rigorously in the *Rough Draft* than in *Capital*, and which is related to the continually growing importance of fixed capital in the developed capitalist mode of production.[27]

The issue is that of the development of the means of labour into machinery, or into the machine system. Marx writes in the *Rough Draft*: 'As long as the means of labour remains a means of labour in the proper sense of the term, such as it is directly, historically, adopted by capital and included in its valorisation process, it undergoes a merely formal modification, by appearing now as a means of labour not only in regard to its material side, but also at the same time as a particular mode of the presence of capital, determined by its total process – as *fixed capital*.' However it does not stop at this merely formal change: 'Once adopted into the production process of capital, the instrument of labour passes through different metamorphoses, whose culmination is the *machine* or rather, an *automatic system of*

circulation in contrast to productive capital, but they are not circulating capital in contrast to fixed capital.' (*Capital* II, pp.170-71.) And not until the analysis of 'many capitals', that is, the sphere of competition, do these concepts of fixed and circulating capital receive an extended meaning, so that they can be applied to the 'fixed and circulating capital of a merchant'. (*Capital* III, 308-10.)

[25] *Capital* II, p.216.

[26] Hence the *Rough Draft* has this to say about the 'circulating products of a machine manufacturer': 'For him they are circulating capital; for the manufacturer who uses them', (i.e. the machines), 'in the production process, fixed capital; because product for the former, and instrument of production only for the latter'. (*Grundrisse*, p.723.) Quite the reverse in *Capital*: 'In the same way a machine, the product of a machine manufacturer, is the commodity-form of his capital, is commodity-capital to him. And so long as it stays in this form it is neither circulating nor fixed capital. But if sold to a manufacturer for use it becomes a fixed component part of a productive capital.' (*Capital* II, p.210.)

[27] The passages looked at here have already been dealt with partially in Chapter 17 above.

machinery.'[28] Further, in the form of the machine, and still more in machinery as an automatic system, 'the use-value i.e. the material quality of labour, is transformed into an existence adequate to fixed capital and to capital as such; and the form in which it was adopted into the production process of capital, the direct means of labour, is superseded by a form posited by capital itself and corresponding to it.' Thus, for the first time, in machinery, 'objectified labour materially confronts living labour as a ruling power and as an active subsumption of the latter under itself, not only by appropriating it, but in the real production process itself'; and for the first time 'objectified labour appears not only in the form of product or of the product employed as means of labour, but in the form of the force of production itself . . . The accumulation of knowledge and of skill, of the general productive forces of the social brain, is thus absorbed into capital, as opposed to labour, and hence appears as an attribute of capital, and more specifically of *fixed capital*, insofar as it enters into the production process as a means of production proper. *Machinery* appears then, as the most adequate form of *fixed capital*, and fixed capital . . . as the *most adequate form of capital* as such.'[29] And it is for precisely this reason that 'the stage of development reached by the mode of production based on capital . . . is measured by the existing scope of fixed capital; not only by its quantity, but just as much by its quality'.[30]

However, as Marx goes on to say, the development of fixed capital can serve as a standard for the degree of development of capital production in yet another respect: 'The aim of production oriented directly towards use-value, as well as that oriented directly towards exchange-value, is the product itself, destined for consumption.' However, 'the part of production which is oriented towards the production of fixed capital does not produce direct objects of individual gratification, not direct exchange-values; at least not

[28] *Grundrisse*, p.692.

[29] *ibid.* pp.693-94. The situation is, however, different if we look at the reduced capacity for circulation of fixed capital. 'Precisely in this aspect as fixed capital – i.e. in the character in which capital has lost its fluidity and become identified with a specific use-value, which robs it of its ability to transform itself – does developed capital . . . most strikingly manifest itself.' However, from this standpoint, fixed capital does not correspond to the concept of capital, 'which, as value, is indifferent to every specific form of use-value, and can adopt or shed any of them as equivalent incarnations', so that in this respect 'it is circulating capital which appears as the adequate form of capital, and not fixed capital'. Marx adds: 'This contradiction pretty. To be developed.' (*ibid.* pp.679, 694.)

[30] *ibid.* p.715.

directly realisable exchange-values. *Hence, only when a certain degree of productivity has already been reached – so that a part of production-time is sufficient for immediate production – can an increasingly large part be applied to the production of the means of production.* This requires that society be able to wait; that a large part of the wealth already created can be withdrawn both from immediate consumption and from production for immediate consumption, in order to employ this part for labour which is *not immediately productive* (within the material production process itself) . . . As the *magnitude of relative surplus labour depends on the productivity of necessary labour, so does the magnitude of labour-time* – living as well as objectified – *employed on the production of fixed capital depend on the productivity of the labour-time spent in the direct production of products.*[31] *Surplus population* (from this standpoint),[32] as well as *surplus production*, is a condition for this. That is, the output of the time employed in direct production must be larger, relatively, than is directly required for the reproduction of the capital employed in these branches of industry. The *smaller* the direct fruits borne by *fixed capital*, the less it intervenes in the *direct production process*, the greater must be this relative *surplus population and surplus production*; thus, more to build railways, canals, aqueducts, telegraphs etc. than to build the machinery directly active in the direct production process.'[33]

And, in another passage: 'Insofar as the production of fixed capital, even in its physical aspect, is not directed immediately towards the production of values required for the direct reproduction of capital – i.e. those which themselves in turn represent use-value in the value-creation process – but rather towards the production of the means of value-creation . . . (the production of value posited physically in the object of production itself, as the aim of production . . .), it is in the production of *fixed capital that capital posits itself as end-in-itself*, and appears active as capital, *to a higher power than it does in the production of circulating capital.* Hence, in this respect as well, the dimension already possessed by fixed capital, which its production occupies within total production, is the measuring rod of the *development* of wealth founded on the mode of production of capital.'[34]

[31] 'The labour-time employed in the production of fixed capital relates to that employed in the production of circulating capital, within the production process of capital itself, as does surplus labour-time to necessary labour-time.' (*ibid.* p.709.)

[32] That is, not in the sense of the 'industrial reserve army'.

[33] *Grundrisse*, p.707.

These passages are certainly a valuable complement to Volume II of Marx's *Capital*. But in fact, the *Rough Draft* goes even further; it also draws a picture of a society where the development of machinery and of the general conditions of production [35] is taken so far that it is no longer the 'direct labour which man himself performs, nor the time which he works, but rather the appropriation of his own general productive power . . . which appears as the great foundation of production and wealth'; a society, therefore, where the law of value itself must disappear. However, we shall leave this aspect until later (the chapter on 'the historical barrier to the law of value').

5.

Up till now we have discussed the changes which the capitalist production process undergoes owing to the development of fixed capital. However, what is the impact of this development – i.e. the constant growth and growing significance of values confined to the form of machinery – on the circulation process of capital?

The general answer runs as follows: 'With circulating capital, reproduction is determined by circulation time; with fixed capital, circulation is determined by the time in which it is consumed as use-value, in its material presence, within the act of production, i.e. by the period of time within which it must be reproduced.'[36] However, this distinction means that 'the *turnover time* of a total capital divided into circulating and fixed capital becomes essentially modified'.[37] For example: if a capital consists of £10,000, of which £5,000 is fixed, and £5,000 circulating (to use a calculation from the *Rough Draft*), and if the latter turns over once a year while the former turns over once every five years, then, 'in 20 months the total capital of £10,000 is turned over, although the fixed capital is replaced only in 5 years. This turnover time holds, however, only for the repetition of the production process . . . not for the reproduction of the capital itself'.[38] This is because the capital itself is not, needless to say,

[34] *ibid.* p.710.

[35] These 'general' or 'communal' conditions of production are understood to be canals, railways etc. in the *Rough Draft*.

[36] *ibid.* p.682.

[37] *ibid.*

[38] *ibid.* p.718.

replaced by the average turnover,[39] and not until five years have passed will the capitalist in fact 'be once more in possession of the total capital with which he began the production process'. Thus although '*in the creation of surplus-value his capital acted as if it had wholly turned over in 20 months . . . the total capital itself is only reproduced in 5 years. The former aspect of turnover important for the proportion in which it valorises itself*; the latter however brings in a new relation, which does not hold at all with circulating capital.' Namely because 'circulating capital is completely absorbed into circulation and returns from it as a whole, it follows that it is reproduced as capital as many times as it is realised as surplus-value, or as surplus capital. But since fixed capital never enters circulation as a use-value, and enters it as value only to the extent that it is consumed as a use-value, it follows that it is by no means reproduced as soon as the *surplus-value determined by the average turnover time of the total capital is posited*. The turnover of the circulating capital must take place 10 times in the 5 years before the fixed capital is reproduced; i.e. the period of the revulsions of circulating capital must be repeated 10 times while that of fixed capital is repeated once, and the *total average turnover of the capital – 20 months – has to be repeated 3 times before the fixed capital is reproduced*.[40] Hence, the larger the part of the capital consisting of fixed capital – i.e. the more capital acts in the mode of production corresponding to it, with great employment of produced productive force – and the more durable the fixed capital i.e. the longer its reproduction time, the more its use-value corresponds to its specific economic role – the more often must the part of capital which is determined as circulating *repeat the period of its turnover, and the longer is the total time the capital requires for the achievement of its total circulation*. Hence the *continuity* of production becomes an external necessity for capital with the development of that portion of it which is determined as fixed capital. For circulating capital, *an interruption, if it does not last so*

[39] This is evident with circulating capital: 'If a capital of 100 returns 4 times a year and hence brings in 20 per cent, like a capital of 400 which circulates only once, then the capital remains 100 at the end of the year as at the beginning, and the other capital remains 400, although it has effected a production of use-values and a positing of surplus-value equal to a 4 times larger capital. The fact that the velocity of turnover here substitutes for the magnitude of the capital shows strikingly that it is only the amount of surplus labour set into motion, and of labour generally which determines the creation of value as well as the creation of surplus-value, and not the magnitude of the capital for itself.' (*ibid.* p.718.)

[40] Cf. *Capital* II, pp.185-87.

long as to ruin its use-value, is only an interruption in the creation of surplus-value. But with fixed capital, the interruption, insofar as in the meantime its use-value is necessarily destroyed relatively unproductively, i.e. without replacing itself as value, is the destruction of its original value itself. Hence the continuity of the production process which corresponds to the concept of capital is posited as *conditio sine qua* [*non*] for its maintenance only with the development of fixed capital; hence likewise the continuity and the constant growth of consumption.'[41]

But this is not all. Marx says that the second result to which the examination of the influence of fixed capital on turnover time leads 'is from the formal side, even more important'. 'The total time in which we measured the return of capital was the year, while the time unit in which we measure labour is the day. We did so firstly because the year is more or less the natural reproduction time, or duration of the production phase, for the reproduction of the largest part of the vegetable raw materials used in industry. The turnover of circulating capital was determined, therefore, by the number of turnovers in the total time of a year.'[42] But in reality 'the circulating capital begins its reproduction at the end of each turnover, and while the number of turnovers during the year affects the total value, and the fate it encounters during each turnover appears a determinant of the conditions under which it begins reproduction anew, each of them for itself is, nevertheless, a complete life-span for the circulating capital. As soon as capital is transformed back into money, it can, e.g. . . . throw itself from one branch of production into another, so that *reproduction, regarded materially, is not repeated in the same form*.'

'The introduction of fixed capital,' Marx goes on to say,

[41] *Grundrisse*, p.719.

[42] 'Considering that the production process of capital is at the same time a technological process – production process absolutely – namely [the process] of the production of specific use-values through specific labour, in short, in a manner determined by this aim itself; considering that the most fundamental of these processes is that through which the body reproduces its necessary metabolism, i.e. creates the necessaries of life in the physiological sense: considering that this production process coincides with agriculture; and the latter also at the same time directly (as with cotton, flax etc.) furnishes a large part of the raw materials for industry (actually all except those belonging to the extractive industries); considering that reproduction in agriculture in the temperate zone (the home of capital) is bound up with the general terrestrial circulation; i.e. harvests are mostly annual; it follows that the year (except that it is reckoned differently for various productions) has been adopted as the general period of time by which the sum of the turnovers of capital is calculated and measured.' (*ibid.* pp.639-40.)

'changes this; and neither the turnover time' of the circulating capital, 'nor the unit in which the number of times it turns over is measured, the year, henceforth appear as the measure of time for the motion of capital. This unit is now determined, rather, by the *reproduction* time required for fixed capital, and hence the total circulation time it needs to enter into circulation as value, and to come back from it in the totality of its value. The reproduction of the circulating capital must *also proceed in the same material form* during this whole time, and the number of its necessary turnovers . . . *is distributed over a longer or shorter series of years.* Hence a longer *total period* is posited as the unit in which its turnovers are measured, and their *repetition* is now not merely externally, but rather necessarily connected with this unit.'[43] (Marx assumes in the *Rough Draft* that we are dealing with a period of approximately ten years.[44]) The importance of this becomes evident from the fact that 'the cycle which industry has passed through since the development of fixed capital on a large scale, at more or less 10-yearly intervals, is connected with this *total reproduction phase of capital*',[45] so that the average time in which machinery is renewed represents a basis for determining the periodicity of crises.[46] This is a line of reasoning which we find, further developed, in Volume II of *Capital*.[47]

[43] *Grundrisse*, p.720.

[44] Cf. Marx's discussion with Engels on this point in *MEW* Vol.29, pp.291-93. (Letters of 2 March 1858 and 4 March 1858.)

[45] *Grundrisse*, p.720.

[46] 'We shall find other determinant causes as well. But this is one of them. There were good and bad times for industry too, as well as for harvests (agriculture). But the industrial cycle of a number of years, divided into characteristic periods, epochs, is peculiar to large-scale industry.' (*ibid.* pp.720-21.)

[47] *Capital* II, pp.188-189.

PART FIVE
Capital as Fructiferous. Profit and Interest

25.
The Transformation of Surplus-Value into Profit. The General Rate of Profit

As the title indicates, the last section of the *Rough Draft* (pp. 745 ff) corresponds in a certain sense to Volume III of *Capital*. However, this is only in a certain sense, since, apart from its sketchy nature,[1] the categories of profit and interest are only examined in this section insofar as they are taken from the analysis of 'capital in general'. This constitutes the key difference between this section and Parts 1-3 of Volume III of *Capital*.[2]

The section on profit and interest begins with the following passage which is very Hegelian in flavour: 'Capital is now posited as the unity of production and circulation' (i.e. after it has described its complete circuit) '. . . realised not only as value which reproduces itself and is hence perennial, but also as value which posits value. Through the absorption of living labour-time and through the move-

[1] Out of the entire section of over 130 pages, 40 at most are devoted to profit and interest. The remaining pages deal with the history of the theory of money, the 'recapitulation' of theories of surplus-value etc. In fact we should also take the preceding section into consideration, since it contains a number of discussions which belong to Section Three. (Marx says on this: 'A very large part of what belongs here has been developed above. But the anticipated material is to be put here.')

[2] Cf. pp.13-14 above.

N

ment of its own circulation (in which the movement of exchange is posited as its own, as the inherent process of objectified labour), it relates to itself as positing new value, as producer of value. It relates as the foundation to surplus-value as that which it founded[3]. . . In a definite period of time which is posited as the unit measure of its turnovers . . . capital produces a definite surplus-value, which is determined not only by the surplus-value it posits in one production process, but rather by the number of repetitions of the production process, or of its reproduction in a specified period of time. Because of the inclusion of circulation, of its movement outside the immediate production process, within the reproduction process, surplus-value *appears*[4] no longer to be posited by its [i.e. capital's] simple direct relation to living labour; this relation appears, rather, as merely a moment of its total movement. Capital . . . therefore no longer measures the newly produced value by its real measure, the relation of surplus labour to necessary labour, but rather by itself as its presupposition. A capital of a certain value produces, in a certain period of time, a certain surplus-value. Surplus-value is thus measured by the value of the presupposed capital, capital thus posited as self-valorising value – is *profit* . . . and the *rate of profit* is therefore determined by the proportion between its value and the value of capital.'[5]

At first sight this may appear to be a contrived *a priori* construction. In fact this is the point where Marx first begins to expound that same line of thought which we find in a much more developed form in *Capital* (and in the *Theories*), and which forms the basis of his theory of profit. Namely, that the category of profit should not be confused with that of *surplus-value* (as the classical economists did).[6] Rather, profit must be understood as a '*secondary*, derivative . . . form, developed further in the sense of capital . . . the bourgeois

[3] There is a very similar formulation in *Capital*: the advanced money capital 'is capital by virtue of its relation to the other part of M'' – the valorised capital – 'which it has brought about, which has been effected by it as the cause, which is the consequence of it as the ground'. (*Capital* II, p.45.) See note 107 on p.37 above.

[4] 'The essence must appear.' Hegel, *Science of Logic* II, p.107. Cf. *Capital* I, p.682 (542): 'The form of appearance . . . as contrasted with the essential relation manifested in it.'

[5] *Grundrisse*, pp.745-46.

[6] In fact, at the beginning of the *Rough Draft* (in the section on the production process, pp.342-44) the expressions 'rate of profit' and 'rate of surplus-value' are not strictly separated and are even identified.

form, in which the traces of its origin are extinguished'.[7] And what Marx had to say on the subject of 'all forms of appearance and their hidden background' also applies in this case. 'The forms of appearance are reproduced directly and spontaneously as current and usual modes of thought; the essential relation must first be *discovered* by science.'[8]

In fact, profit 'in its immediate form . . . is nothing but the sum of the surplus-value expressed as a proportion of the total value of the capital'.[9] It follows from this, then, (1) that the total sum of profit (of the capitalist class),[10] can never be greater than the total sum of surplus-value, and (2) that – regarded as the rate of profit – profit must '*under all circumstances . . . express a smaller proportion of the gain than the real proportion of the surplus-value.* For under all circumstances it is measured by the total capital, which is always

[7] *Grundrisse*, pp.595, 762. We should not overlook the fact that the subsequent transformation of surplus-value into the form of profit simply represents 'a further development of the inversion of subject and object that takes place already in the process of production'. Marx states that there we have already seen that 'the subjective productive forces of labour appear as productive forces of capital. On the one hand, the value, or the past labour, which dominates living labour, is incarnated in the capitalist. On the other hand, the worker appears as bare material labour-power, as a commodity.' And precisely because 'at one pole the price of labour-power assumes the transmuted form of wages, surplus-value appears at the opposite pole in the transmuted form of profit'. (*Capital* III, pp.37, 45.) Cf. Marx's letter to Engels of 30 April 1868: 'As, owing to the form of wages, the whole of labour appears to be paid for, the unpaid part of labour seems necessarily to come not from labour but from capital, and not from the variable part of capital but from capital as a whole. In this way surplus-value assumes the form of profit.' (*Selected Correspondence*, p.192.)

[8] *Capital* I, p.682 (542).

[9] *Grundrisse*, p.767. The course of the analysis will show how – as a result of the formation of a general rate of profit – 'the alienation goes further, and how profit represents a magnitude differing also numerically from surplus-value'. (*Capital* III, p.48.) Cf. *Theories* III, pp.482-83: 'Furthermore, as a result of the conversion of profit into average profit, the establishment of the general rate of profit and, in connection with it and determined by it, the conversion of values into cost-prices, the profit of the individual capital becomes different from the surplus-value produced by the individual capital in its particular sphere of production, and different, moreover, not only in the way it is expressed – i.e. rate of profit as distinct from rate of surplus-value – but it becomes substantially different, that is, in this context, quantitatively different. Profit does not merely seem to be different, but is now in fact different from surplus-value, not only with regard to the individual capital, but also with regard to the total capital in a particular sphere of production.'

[10] 'Profit as we still regard it here, i.e. as the profit of capital as such, not of an individual capital at the expense of another, but rather as the profit of the capitalist class.' (*Grundrisse*, p.767.)

larger than that employed for wages and exchanged for living labour.'[11] Consequently, the rate of profit 'never expresses the real rate at which capital exploits labour, but always a much smaller relation'. It could 'express the real rate of surplus-value only if the entire capital were exchanged for living labour . . . hence if not only the raw material were = 0, but also the means of production'. However, the latter 'cannot occur on the basis of the mode of production corresponding to capital'.[12]

Thus, since from the outset the rate of profit (as distinct from profit as such) differs qualitatively from the rate of surplus-value, the laws of its movement do not coincide 'so directly or simply' with those of the rate of surplus-value as might appear initially.[13] 'The rate of profit can fall, although real surplus-value increases. The rate of profit can rise although real surplus-value falls.' This already follows from the fact that the rate of profit is calculated on the total value of the capital. It is therefore 'determined (1) by the magnitude of the surplus-value itself; (2) by the relation of living labour to accumulated.'[14] (i.e. by the value composition of capital.) And finally, differences in turnover time also affect the size of the surplus-value produced, and therefore the rate of profit.

This leads to the result that the same rate of profit can in fact be based on very different rates of surplus-value, and conversely, 'one and the same rate of surplus-value may be expressed in the most varying rates of profit'.[15] Thus the degree of exploitation of labour can be the same in different branches of production, with the rate of surplus-value at the same level: however, since the organic composition of capital varies from branch to branch, these branches will produce very different masses of surplus-value, and these masses will be expressed in widely varying rates of profit.[16] Indeed it is precisely 'the inequality of profit in different branches of industry with capitals of equal magnitudes [which] is the condition and presupposition for their equalisation through competition'.[17]

We thus arrive at the problem of the general rate of profit, and

[11] *ibid.* pp.767, 753.

[12] *ibid.* pp.762-63.

[13] *Theories* II, p.426.

[14] *Grundrisse*, pp.747, 817.

[15] *Capital* III, p.68.

[16] On the other hand: 'If capitals whose component parts are in different relations, including therefore their forces of production, nevertheless yield the same percentages on total capital, then the real surplus-value has to be very different in the different branches.' (*Grundrisse*, p.395.)

[17] *ibid.* p.761.

prices of production which diverge from values. We are reminded of Böhm-Bawerk's assertion that there is an 'irreconcilable contradiction' between the first and third Volumes of *Capital*, and that the theory of average profit developed in Volume III is to be understood as basically a retreat 'under fire', as an 'act of self-defence in anticipation'. Hilferding's reply to this was that the relevant section of Volume III was actually written in 1865, i.e. two years before the publication of Volume I. We shall now see that the problem of the average rate of profit was in fact already solved in the *Rough Draft* of 1857-58, i.e. before Marx had even set out his theory of value! We read in the *Rough Draft*: 'Since the profit of capital is realised only in the price which is paid for it, for the use-value created by it, profit is determined by the *excess of the price obtained over the price which covers outlays*' i.e. over 'cost price'.[18] 'Since, furthermore, this realisation proceeds only through *exchange*, the individual capital's *profit is not necessarily restricted by its surplus-value*, by the surplus labour contained in it: but is relative, rather, to the excess of price obtained in exchange. It can exchange more than its *equivalent, and then its profit is greater than its surplus-value*. This can be the case only to the extent that the other party to the exchange does not obtain an equivalent.' On the other hand, profit can also be smaller than surplus-value, i.e. 'it can exist for capital, even without the realisation of the real production costs – i.e. the whole surplus labour set to work by capital'. However, 'the total surplus-value, as well as the *total profit*, which is only *surplus-value itself, computed differently*, can neither grow nor decrease through this operation, ever; what is *modified thereby* is not it, but only *its distribution among the different capitals*.'[19]

How does this distribution take place? The answer is provided in an excursus in the section of the *Rough Draft* dealing with the

[18] 'In relation to profit, the value of the capital presupposed in production appears as advances – production costs which must be replaced in the product. After deduction of the part of the price which replaces them, the excess forms the profit. Since surplus labour . . . costs capital nothing, hence does not figure as part of the value advanced by it . . . it follows that this surplus labour, which is included in the production costs of the product and forms the source of surplus-value and hence of profit as well, does not figure as part of the production costs of capital. The latter are equal only to the values actually advanced by it, not including the surplus-value appropriated in production and realised in circulation. The production costs from the standpoint of capital are therefore not the real production costs, precisely because surplus labour does not cost it anything. The excess of the price of the product over the price of the production costs gives it its profit.' (*Grundrisse*, p.760.)

[19] *ibid.*

circulation process: 'A *general rate of profit* as such is possible only if the rate of profit in one branch of business is too high and in another too low; i.e. if a part of the surplus-value – which corresponds to surplus labour – is transferred from one capitalist to the other. If, in 5 branches of business, for example, the rate of profit is respectively

A	B	C	D	E
15%	12%	10%	8%	5%

then the average rate is 10%; but, in order for this to exist in reality, capitalist A and B have to give up 7% to D and E – more particularly 2 to D and 5 to E – while C remains as it was. It is impossible for rates of profit on the same capital of 100 to be equal, since the relations of surplus labour are altogether different, depending on the productivity of labour and on the relation between raw material, machinery and wages and on the overall volume in which production takes place . . . The capitalist class, thus, to a certain extent distributes the total surplus-value so that' the capitalists participate in it 'evenly, in accordance with the *size* of their capital, instead of in accordance with the surplus-values actually created by the capitals in the various branches of business. The larger profit – arising from the real surplus labour within a branch of production, the really created surplus-value – is pushed down to the average level by competition', while 'the deficit of surplus-value in the other branch of business is raised up to the average level by withdrawal of capitals from it . . . This is realised by means of the relation of prices in the different branches of business, which fall *below* their *value* in some, rise *above* it in others.[20] This makes it seem as if an equal sum of capital in unequal branches of business created *equal surplus labour or surplus-value*.'[21] Marx remarks, however, that this question belongs first of all 'in the section on competition', 'of many capitals, not here',[22] where we are only concerned with '*the* profit of *capital*' (i.e. with capital and profit 'in general').[23]

Marx adds: 'It is altogether necessary to make this clear; because the distribution of the surplus-value among the capitals . . .

[20] In this sense Marx already speaks in the Rough Draft of 'price as market price or the general price'. The expression 'price of production (*Produktionspreis*) first appears in the *Theories*. (Cf. on this Kautsky's note on pp.15-16 of Vol.II of his edition of the *Theories* and Marx's letter to Engels of 2 August 1862. *Selected Correspondence*, pp.120-23, where it is referred to as 'cost price'.)

[21] *Grundrisse*, pp.435-36.

[22] *ibid.* pp.435, 760.

[23] *ibid.* p.787.

this *secondary* economic operation – gives rise to phenomena which are confused with the primary ones.' ('It is clear that other aspects also enter in with the equalisation of the rate of profit. Here, however, the issue is not the distribution of surplus-value but its creation.'[24]) However, both levels of the analysis are necessary since 'the greatest confusion and mystification has arisen because the doctrine of surplus profit has not been examined in its pure form by previous economists, but rather mixed in together with the doctrine of real profit, which leads up to distribution, where the various capitals participate in the general rate of profit'.[25] Thus the case of Ricardo, whose theory of profit cannot overcome the contradiction between the determination of the values of products by relative labour-time and the '*real determination of prices, in practice*' precisely because he 'does not grasp profit as itself a derivative, secondary form of *surplus-value*'.[26]

This leads us to the question of the relation of Marx's theory of profit to Ricardo's (and that of the classical economists in general). The difference between the two theories is immediately apparent.

[24] *ibid.* pp.632, 669.

[25] *ibid.* p.684. We should refer above all here to the illusion arising out of the 'division of surplus-value into average portions', according to which 'all parts of capital equally bring a profit'. Of course, 'if I take the total value of the finished product, then I can compare every part of the product advanced with the part of the outlay corresponding to it; and the percentage of profit in relation to the whole product is naturally the same percentage for any fractional part of the product . . . This obviously means nothing other than that if I gain 10 per cent on 100 then the gain on every part of 100 amounts to as much as, when added together, will be 10 per cent on the total sum.' But 'it is impossible to see what use this calculation is'. (*ibid.* pp.723, 567-68.) This illusion seems to have been taken to the absurd in the case of the 'marvellous invention of Dr. Price' (1772), according to which, 'One penny, put out at our Saviour's birth to 5 per cent compound interest, would, before this time, have increased to a greater sum, than would be contained in a hundred and fifty millions of earths, all solid gold.' Price was misled into this fantasy because 'he took no note of the conditions of reproduction and labour, and regarded capital as a self-regulating automaton, as a mere number that increased itself'. However, 'the identity of surplus-value and surplus labour imposes a qualitative limit upon the accumulation of capital. This consists of the total working day, and the prevailing development of the productive forces and of the population, which limits the number of simultaneously exploitable working days. But if one conceives of surplus-value in the meaningless form of interest, the limit is merely quantitative and defies all fantasy . . . Practice has shown the economists that Price's interest-multiplication is impossible; but they have never discovered the blunder contained in it.' (*Capital* III, pp.394-95, 398-99.) Except for the last sentence this passage was taken over, with only slight stylistic changes, from the *Rough Draft*, pp.375, 842-43.

[26] *Grundrisse*, p.554.

Whereas the Ricardian school came to grief on the contradiction between the determination of value by labour and the existence of the general rate of profit, this contradiction provided the point of departure for Marx's new theory of profit. Unlike the Ricardians, he does not attempt to rescue the law of value 'from the contradictions of immediate experience by making a violent *abstraction*',[27] but demonstrates, on the contrary, how, by means of the intervention of the general rate of profit, 'a market price differing from this exchange-value comes into being . . . on the basis of exchange-value . . . or more correctly, how the law of exchange-value is realised only through its own antithesis'.[28] One can therefore understand the satisfaction which Marx expressed about this particular achievement of his theory in a letter to Engels on 14 January 1858. He writes, 'I am getting some nice developments. e.g. I have overthrown the entire doctrine of profit as previously conceived. In the *method* of working it was of great service to me that by mere accident I leafed through Hegel's *Logic* again.' And he added : 'If there should ever be a time for such work again, I should very much like to make accessible to the ordinary human intelligence – in two or three printer's sheets – what is *rational* in the method which Hegel discovered but at the same time enveloped in mysticism.'[29]

We now know what the 'overthrowing' of previous theories of profit consisted in : namely, the scientific understanding of profit as a 'necessary form of appearance' of surplus-value. But not only that. Marx's solution to the problem of the general rate of profit required many intermediate links; it not only presupposed a theory of production prices and cost prices, but also a correct understanding of the turnover of capital, and above all, of the problem of surplus-value. On the other hand an elucidation of the problem of surplus-value was not possible, so long as the fundamental distinction between variable and constant capital remained unrecognised, which in turn presupposed the discovery of the dual character of the labour contained in commodities. All these intermediate links are absent in Ricardo and the other classical economists. It is no surprise, then, that Ricardo 'seeks *directly* to prove the congruence of the economic categories with one another'[30] and 'arbitrarily' to equalise the

[27] *Capital* I, p.421 (307).

[28] *Contribution*, p.62.

[29] *Selected Correspondence*, p.93. We have been able to confirm many times in the course of this work that 'leafing through' Hegel's *Logic* not only contributed to the solution of the problem of profit, but also many others.

[30] *Theories* II, p.165. ('He never analysed the form of the mediation.' *Grundrisse*, p.327.)

rate of profit with the rate of surplus-value.[31] Hence his attempt 'to derive undeniable empirical phenomena by simple formal abstraction directly from the general law . . . The vulgar mob has therefore concluded that theoretical truths are abstractions which are at variance with reality, instead of seeing, on the contrary, that Ricardo does not carry true abstract thinking far enough, and is therefore driven into false abstraction.'[32] In other words: Ricardo lacks the dialectical incisiveness which is required to understand capital as a 'unity-in-process' and elaborate its contradictions. The chief defect of the Ricardian theory of profit was therefore its inadequate method – and this was the pivot which Marx could use to 'overthrow' this theory. In this respect the service rendered by Hegel's *Logic* cannot be rated highly enough.[33]

[31] *Theories* III, p.338.
[32] *Theories* I, p.89, II, p.437.
[33] As one critic of Marx has rightly said: 'His basic philosophical position is evident through all the fissures in his system. He approaches the object of his study, bourgeois society, with Hegelian methods, Hegelian modes of thought and Hegelian concepts.' (E.Preiser, *Das Wesen der Marxschen Krisentheorie*, p.272.)

26.
The Law of the Falling Rate of Profit and the Tendency of Capitalism Toward Breakdown

The manuscript of 1857-58 also offers the solution to yet another fundamental question in economics; that of the tendency of the rate of profit to fall.

This solution also emerged in the course of Marx's confrontation with Ricardo who, like all the classical economists, stressed the fact that with the accumulation of capital 'the natural tendency of profit is to fall'.[1] But what is the source and basis of this tendency?

Ricardo was clearly unsatisfied by Adam Smith's explanation. We read in the *Rough Draft*: 'A.Smith explained the fall of the rate of profit, as capital grows, by the competition among capitals. To which Ricardo replied that competition can indeed reduce profits in the various branches of business to an average level, can equalise the rate, but cannot depress the average rate itself.' Marx continues: 'A. Smith's phrase is correct to the extent that only in competition – the action of capital upon capital – are the inherent laws of capital, its tendencies, realised.[2] But it is false in the sense in which he understands it, as if competition imposed laws on capital from the outside, laws not its own. Competition can permanently depress the rate of profit, if . . . and insofar as a general and permanent fall of the rate of profit, having the force of a law, is conceivable *prior* to competition and regardless of competition.' 'To try to explain the inner laws of capital simply as results of competition means to concede that one does not understand them.'[3] However, what is the inner law according to Ricardo himself, which produces the tendency of the rate of profit to fall?

Let us first recall that Ricardo was unaware both of the distinction between constant and variable capital[4] and between the rate

[1] Ricardo, *Principles of Political Economy and Taxation*, p.139.
[2] Cf. pp.115ff above.
[3] *Grundrisse*, pp.751-52.
[4] For this reason also 'he nowhere touches on or perceives the differences in organic composition within the actual process of production'. (*Theories* II, p.373.)

of profit and the rate of surplus-value. Furthermore, according to his theory, profits and wages could only rise or fall in an inverse relation to one another. Hence his thesis that 'no accumulation of capital will permanently lower profits unless there be some permanent cause for the rise of wages'.[5] However, what are the conditions under which the wage (which for Ricardo usually remains equal to the price of the workers' necessary means of subsistence) would continually rise in terms of value (not use-value) – so that the part of the working day which the worker works for himself would grow, but the part he gives *gratis* to the capitalist would get smaller? This is clearly only possible 'if the value of the means of subsistence, on which the worker spends his wage, increases. But as a result of the development of the productivity of labour, the value of industrial commodities is constantly decreasing. The diminishing rate of profit can therefore only be explained by the fact that the value of food, the principal component part of the means of subsistence, is constantly rising.'[6] According to Ricardo this happens 'because agriculture is becoming less productive . . . The continuous fall in profit is thus bound up with the continuous rise in the rate of rent.'[7]

What is evident from this is that Ricardo's explanation of the law of the fall in the rate of profit is based on two presuppositions: 1. the Malthusian presupposition of the declining fertility of agriculture, of the progressive deterioration of the soil under cultivation; and 2. the 'false assumption that the rate of profit is equal to the rate of relative surplus-value[8] and can only rise or fall in inverse proportion to a fall or rise in wages'.[9]

As is well known, Marx rejected Ricardo's solution to the problem, although we cannot deal here with the numerous reasons

[5] Ricardo, *op. cit.*, p.290. (Cf. *Theories* II, pp.466-68.)

[6] Cf. Ricardo, *op. cit.*, p.139: 'the theory, that profits depend on high or low wages, wages on the price of necessaries, and the price of necessaries chiefly on the price of food, because all other requisites may be increased almost without limit'. Cf. also p.296: 'it may be added that the only adequate and permanent cause for the rise of wages is the increasing difficulty of providing food and necessaries for the increasing number of workmen'.

[7] *Theories* II, pp.438-39. 'The falling rate of profit hence corresponds, with him, to the nominal growth of wages and real growth of ground-rent.' (*Grundrisse*, p.752.)

[8] Marx uses the expression relative surplus-value here because Ricardo 'assumes the working day to be constant', and thus only considers changes in relative surplus-value. (*Theories* II, p.439.)

[9] *ibid.* p.439.

he put forward.[10] The sole issue for us in this context is that Ricardo's incorrect theory of profit prevented him from explaining 'one of the most striking phenomena of capitalist production' – the tendency of the rate of profit to fall.[11] 'Since Ricardo simply mixes surplus-value and profit together in this way, and since the surplus-value can constantly decline, can *tendentially* decline only if the relation of surplus labour to necessary labour, i.e. to the labour required for the reproduction of labour-capacity, declines, but since the latter is possible only if the productive force of labour declines, Ricardo assumes that the productive force of labour decreases in agriculture, although it grows in industry, with the accumulation of capital. He flees from economics to seek refuge in organic chemistry.'[12]

But how did Marx solve this problem? In Section One of the *Rough Draft* he asks, in relation to one of the numerical examples, with which he wants to explain the distinction between the rate of profit and the rate of surplus-value: 'But, understood differently, is there not after all something correct in these figures?' Is it not possible for surplus-value, to 'rise, although in relation to the capital as a whole it declines i.e. the so-called rate of profit declines?'[13] 'The solution of the whole matter', says Marx later in a direct polemic against Ricardo, 'is simply that the rate of profit is not the same as the absolute surplus-value, but is rather the surplus-value in relation to the capital employed, and that the growth of productive force is accompanied by the decrease of that part of capital which represents *approvisionnement*[14] in relation to that part which represents invariable capital' i.e. constant capital;[15] 'hence, when the relation between total labour and the capital which employs it falls, then the part of labour which appears as surplus labour, or surplus-value, necessarily falls too'.[16] In other words; since the rate of profit is in no way identical with the rate of surplus-value, the decrease of variable capital in relation to constant brought about by the continual revolution in the techniques of production, and the increase in productivity, must express itself in a declining rate of profit. (This is a con-

[10] These can be found in the *Grundrisse*, pp.333, 385-86, 557-58, 596, 751-54, 756-57; in *Theories* II, pp.438-39, 463-64, 467-68, 541-46; *Theories* III, 106-09, 351-52; as well as in *Capital* III, pp.279-80.

[11] *Grundrisse*, p.558.

[12] *ibid.* pp.753-54.

[13] *ibid.* pp.380, 381.

[14] See p.356 above.

[15] See p.358 above on the initial variations in the *Rough Draft* in the use of the terms 'constant' and 'variable' capital.

[16] *Grundrisse*, p.558.

clusion. which, as Marx pointed out in his letter to Engels of 30 April 1868, follows directly from the 'law of the increasing growth of the constant part of capital in relation to the variable' i.e. the increasing organic composition of capital elaborated in the presentation of the production process.)[17] 'The growth of the productive power of labour is identical in meaning with (a) the growth of relative surplus-value or of the relative surplus labour-time which the worker gives to capital; (b) the decline of the labour-time necessary for the reproduction of labour-capacity; (c) the decline of the part of capital which exchanges at all for living labour, relative to the parts of it which participate in the production process as objectified labour and as presupposed value. The profit rate is therefore inversely related to the growth of relative surplus-value or of relative surplus labour, to the development of the powers of production, and to the magnitude of the capital employed as constant capital within production.'[18] 'Thus, in the same proportion as capital takes up a larger place as capital in the production process relative to immediate labour, i.e. the more the relative surplus-value grows – the value-creating power of capital – *the more does the rate of profit fall.*'[19] In reality, however, this fall in the rate of profit occurs 'only as a tendency, like all other economic laws',[20] and is checked by numerous 'countervailing influences'. We read in the *Rough Draft*: 'There are moments in the developed movement of capital which delay this movement' i.e. the fall in the rate of profit 'other than by crises; such as e.g. the constant devaluation of a part of the existing capital: the transformation of a great part of capital into fixed capital which does not serve as agency of direct production; unproductive waste of a great portion of capital etc. . . . The fall [in the rate of profit] – likewise delayed by the creation of new branches of production in which more direct labour in relation to capital is needed, or where the productive power of labour is not yet developed . . . (similarly monopolies) . . . That the fall in the rate of profit can further be delayed by the omission of existing deductions from profit, e.g. by a lowering of taxes, reduction of ground-rent etc., is actually not our concern here, although of importance in practice, for these are themselves portions of the profit

[17] *Selected Correspondence*, pp.191-95.
[18] *Grundrisse*, p.763.
[19] *ibid.* p.747.
[20] *Capital* III, p.175. Cf. (*ibid.*): 'But in theory it is assumed that the laws of capitalist production operate in their pure form. In reality there exists only approximation; but this approximation is the greater, the more developed the capitalist mode of production and the less it is adulterated and amalgamated with survivals of former economic conditions.'

under another name, and are appropriated by persons other than the capitalists themselves.'[21]

A closer examination would show that the factors which delay the fall in the rate of profit, which we have simply listed here as examples, correspond with those mentioned in Volume III of *Capital.* The main point, however, is that Marx originally regarded the study of these moments as standing outside the analysis of 'capital in general'. Consequently, we read in the manuscript of *Theories of Surplus-Value*, which is of later origin: 'The process of the falling rate of profit would soon bring capitalist production to the point of crisis if it were not for the fact that alongside the centripetal forces, counteracting tendencies exist, which continuously exert a decentralising influence; this need not be described here, for it belongs to the chapter dealing with the competition of capitals.'[22] Marx did not devote a separate chapter to these retarding factors until Volume III of *Capital*, when it was inserted in connection with the change in the plan of the work. (Chapter 14, 'Countervailing Influences'). Despite this, even such an important moment as the devaluation of capital through crises is not dealt with here, as Marx stressed repeatedly in *Capital*[23] and in the *Theories*,[24] that 'a further analysis of crises falls outside the scope of our study'.

We have seen that in opposition to Ricardo, who attributed the tendency of the rate of profit to fall to nature,[25] Marx maintained that the fall could only be explained by the fact that 'although the worker is exploited more than, or just as much as, before . . . the portion of capital which is exchanged for living labour declines relatively'.[26] However, within certain limits capital is able to compensate for the fall in the rate of profit by increasing the mass of profit. We read on this subject in the *Rough Draft*: 'The *gross profit*, i.e. the surplus-value, regarded apart from its formal relation, not as a proportion but rather as a simple magnitude of value without connection with any other, will grow on the average *not as does the rate of profit, but as does the size of the capital.* Thus, while the rate of profit will be inversely related to the value of the capital, the *sum of profit* will be directly related to it. However, even this statement is true only for a restricted stage of the development of the productive power of capital or of labour. A capital of 100 with a profit of 10 per cent yields

[21] *Grundrisse*, pp.750-51.
[22] *Theories* III, p.311.
[23] *Capital* III, pp.362, 831.
[24] *Theories* II, pp.468, 484.
[25] *Capital* III, p.242.
[26] *Theories* III, p.241.

a smaller sum of profit than a capital of 1,000 with a profit of 2 per cent. In the first case the sum is 10, in the second 20, i.e. the gross profit of the larger capital is twice as large as that of the 10 times smaller capital, although the rate of the smaller capital's profit is 5 times greater than that of the larger. But if the larger capital's profit were only 1 per cent then the sum of profit would be 10, like that for the 10 times smaller capital, because the rate of profit would have declined in the same relation as its size. If the rate of profit of the capital of 1,000 were only ½ per cent, then the sum of its profit would be only half as large as that of the smaller capital, only 5, because the rate of profit would be 20 times smaller.[27] Thus, expressed in general terms: if the rate of profit declines for the larger capital, but not in relation with its size, then the gross profit rises although the rate of profit declines. If the profit rate declines relative to its size, then the gross profit remains the same as that of the smaller capital; remains stationary. If the profit rate declines more than its size increases, then the gross profit of the larger capital decreases relative to the smaller one in proportion as its rate of profit declines.'[28]

Marx concludes by saying that the law of the tendency of the rate of profit to fall is 'in every respect the most important law of modern political economy . . . despite its simplicity, it has never before been grasped and, even less, consciously articulated . . . It is from the historical standpoint the most important law.' [29] It implies 'that the material productive power already present, already worked out, existing in the form of fixed capital, together with the scientific power, population etc., in short all conditions . . . for the reproduction of wealth, i.e. the abundant development of the social individual – that the development of the productive forces brought about by the historical development of capital itself, when it reaches a certain point, suspends the self-valorisation of capital, instead of positing it.[30] Beyond a certain point, the development of the powers of production becomes a barrier for capital; hence the capital-relation a barrier for

[27] This is basically a repetition of Ricardo's arguments which Marx cited later in the *Grundrisse* and in *Capital* III, p.224. (Ricardo, *op. cit.* 142-43.)

[28] *Grundrisse*, p.748.

[29] Cf. *Capital* III, p.213: 'The mystery whose solution has been the goal of all political economy since Adam Smith' and *Selected Correspondence*, p.194, 'the *pons asinorum* of all previous economics'.

[30] It says in the *Rough Draft* that since the falling of the rate of profit 'signifies the same as the decrease of immediate labour relative to the size of the objectified labour which it reproduces and newly posits, capital will attempt every means of checking the smallness of the relation of living labour to the size of the capital generally, hence also of the surplus-value, if expressed as profit, relative to the presupposed capital, by reducing the allotment made

the development of the productive powers of labour. When it has reached this point, capital, i.e. wage-labour, enters into the same relation towards the development of social wealth and of the forces of production, as did the guild system, serfdom, slavery, and is necessarily stripped off as a fetter. The last form of servitude assumed by human activity, that of wage-labour on one side, capital on the other, is thereby cast off like a skin, and this casting-off itself is the result of the mode of production corresponding to capital; the material and mental conditions of the negation of wage-labour and of capital, themselves already the negation of earlier forms of unfree social production, are themselves results of its production process.

'The growing incompatibility between the productive development of society and its hitherto existing relations of production expresses itself in bitter contradictions, crises, spasms. The violent destruction of capital not by relations external to it, but rather as a condition of its self-preservation, is the most striking form in which advice is given it to be gone, and to give room to a higher state of social production.'[31]

The third section of the *Rough Draft* ends with this prognosis of 'breakdown'.[32]

to necessary labour and by still more expanding the quantity of surplus labour with regard to the whole labour employed. Hence the highest development of productive power together with the greatest expansion of existing wealth will coincide with depreciation of capital, degradation of the labourer and a most straitened exhaustion of his vital powers.' (*Grundrisse*, p.750.)

[31] *Grundrisse*, pp.749-50. An alternative version, originally in English on p.636 of the German edition, reads as follows: 'These contradictions lead to explosions, cataclysms, crises, in which, by momentaneous suspension of labour and annihilation of a great portion of capital the latter is violently reduced to the point where it can go on . . . Yet, these regularly recurring catastrophes lead to their repetition on a higher scale, and finally to its violent overthrow.'

[32] The assertion that Marx did not propose a 'breakdown theory' is primarily attributable to the revisionist interpretation of Marx before and after the First World War. Rosa Luxemburg and Henryk Grossmann both rendered inestimable theoretical services by insisting, as against the revisionists, on the breakdown theory.

27.
Fragments on Interest and Credit

1. The extent to which the original outline envisaged the treatment of these themes

We have yet to comment on a number of pages in the *Rough Draft*, where Marx dealt with interest and interest-bearing capital.

The fact that this study is very short (in all no more than four sides – disregarding the numerous remarks which can be found throughout the manuscript) is not only explained by the haste with which Marx worked on the completion of the draft, and by the fact that he was taken ill as a result of overwork as he neared its completion,[1] but also, and primarily, by the structure of the work itself. As we know, the *Rough Draft* was not intended to go beyond the framework of 'capital in general'; from the outset this excluded a more detailed study of interest-bearing capital – not to mention the role it plays in the modern credit system. Consequently, Marx could only touch upon the category of interest in the *Rough Draft* (in connection with the study of profit and the general rate of profit), whilst, according to his original plan, the analysis of the credit system was to be held back until after the treatment of competition, i.e. in Section 3 of the *Book on Capital*.[2]

Marx also kept to this intention in his second large manuscript, that of 1862-63. Thus, we read in the section of Part III of the *Theories* which deals with profit and interest: 'This is not the place for a more detailed analysis of interest and its relation to profit; nor is it the place for an examination of the ratio in which profit is divided into industrial profits and interest.'[3] And, seven pages later: 'A general *rate of interest* corresponds naturally to the general *rate of profit*. It is not our intention to discuss this further here, since the

[1] Cf. Marx's letter to Engels of 29 March 1858: 'I have been very sickly again for the last two weeks with my liver. Continually working at night and a lot of petty troubles during the day, resulting from the economical conditions of my domesticity, have caused me to suffer frequent relapses.' (*MEW* Vol.29, p.309.)

[2] See Marx's outlines on pp.275 and 264 of the *Rough Draft*.

[3] *Theories* III, p.455.

analysis of interest-bearing capital does not belong to this general section[4] but to that dealing with *credit*.'[5] Accordingly, we find no analysis of credit, its role and its forms in the *Theories*, apart from the occasional comment. Marx restricts himself to demonstrating that (1) the category of interest in modern society presupposes the full development of industrial capital, and (2) that the 'alienation' of the capital-relation, its fetishisation, reaches its culmination precisely in interest-bearing capital. Apart from this, it is repeatedly stressed in the *Theories* that the analysis of credit as such can only be given at a later stage. Marx states in Part II: 'Here we need only consider the forms which capital passes through in the various stages of its development. The real conditions within which the actual process of production takes place are therefore not analysed . . . We do not examine the competition of capitals, or the credit system.'[6] (Cf. the similar passage of the same Part, according to which the 'real crisis' can only be presented from the 'real movement of capitalist production, competition and credit'.[7]) We also read, in the same Part: '*Credit* is therefore the means by which the capital of the whole capitalist class is placed at the disposal of each sphere of production, not in proportion to the capital belonging to the capitalists in a given sphere but in proportion to their production requirements – whereas in competition the individual capitals appear to be independent of each other. Credit is both the result and the condition of capitalist production, and this provides us with a convenient transition from the *competition between capitals* to *capital as credit*.'[8] This sentence is crucial for understanding Marx's plan for the construction of his whole work.

We can see that the *Theories* still keep to the original plan, which is adhered to up until Volume III of *Capital*. This latter Volume goes far beyond it and is the first occasion on which Marx steps beyond the limits of 'capital in general', in the sense in which this term was employed originally.[9] Although the first four chapters of Part V of *Capital*, Volume III do no more than develop the ideas

[4] That is, the section dealing with 'capital in general'.

[5] *Theories* III, p.462. In fact there is no analysis in this part of the *Theories* of the way in which the division of total profit into interest and industrial profit takes place, nor of how the relation of the rate of interest to the general rate of profit is established. Such an analysis is not to be found until Chapter XX of Volume III of *Capital*, p.358.

[6] *Theories* II, pp.492-93.

[7] *ibid.* p.512.

[8] *ibid.* p.211.

[9] Cf. pp.2off above.

which Marx dealt with in the concluding part of the *Theories*,[10] the remaining chapters (XXV-XXXV) contain a detailed analysis of the credit system, in the short Chapter XXVII, 'in relation to industrial capital' itself, and in the further chapters 'in relation to interest-bearing capital as such'.[11] However, Engels found it necessary to redraft[12] this part of Marx's manuscript, and it is therefore difficult to say how much of it if any Marx himself had intended to use for an 'eventual continuation of the work'. Nevertheless, Chapter XXV, which deals with 'Credit and Fictitious Capital', begins with the remark: 'An exhaustive analysis of the credit system, and of the instrument which it creates for its own use (credit-money, etc.) lies outside our plan. We merely wish to dwell here upon a few particular points which are required to characterise the capitalist mode of production in general.'[13] This is stated even more categorically in Part I of *Capital* Volume III (section entitled, 'Appreciation, Depreciation, Release and Tie-Up of Capital'): 'The phenomena analysed in this chapter require for their full development the credit system and competition on the world market . . . These more concrete forms of capitalist production can only be comprehensively presented, however, after the general nature of capital is understood. Furthermore, they do not

[10] See *Theories* III, pp.499ff.

[11] 'So far we have considered the development of the credit system – and the implicit latent abolition of capitalist property – mainly with reference to industrial capital. In the following chapters we shall consider credit with reference to interest-bearing capital as such, and to its effects on this capital, and the form it thereby assumes.' (*Capital* III, pp.440-41.)

[12] Engels comments on this in the Foreword to Volume III: 'The greatest difficulty was presented by Part V, which dealt with the most complicated subject in the whole volume . . . Here there . . . was no finished draft, not even a scheme whose outlines might have been filled out, but only the beginning of an elaboration – often just a disorderly mass of notes, comments and extracts.' (*ibid.* p.4.) We further find out that only Chapters XXI-XXIX were 'in the main complete', whereas Chapters XXX to XXXIV had to be fundamentally redrafted.

[13] *ibid.* p.400. Cf. also the beginning of Chapter XXII ('Division of Profit, Rate of Interest. Natural Rate of Interest'): 'The subject of this chapter, like all the other phenomena of credit we shall come across later on, cannot be analysed here in detail. The competition between lenders and borrowers and the resultant minor fluctuations of the money market fall outside the scope of our inquiry. The circuit described by the rate of interest during the industrial cycle requires for its presentation the analysis of the cycle itself, but this likewise cannot be given here. The same applies to the greater or lesser approximate equalisation of the rate of interest in the world market. We are here concerned with the independent form of interest-bearing capital and the individualisation of interest, as distinct from profit.' (*ibid.* p.358.)

come within the scope of this work and belong to its eventual continuation.'[14]

2. *The 'Rough Draft' on interest-bearing capital*

Be that as it may, what has been stated is sufficient to explain the fragmentary character of the observations which Marx makes on interest-bearing capital and the credit system in the *Rough Draft*. All that he is concerned to do here is firstly to show that the development of capital itself must lead to the division of surplus-value into industrial profit and interest, and to the 'autonomisation of interest in relation to profit'. And secondly, that the analysis of 'capital in general' already contains the seeds of the basic definitions, from which the theory of credit can be developed.

However, doesn't the category of interest considerably pre-date that of profit? And doesn't Marx always stress the 'historical pre-existence of interest-bearing capital' in comparison with industrial capital proper?[15]

We know that it is in its particular function as the means of payment that money 'develops interest and hence money-capital'.[16] Simple commodity circulation already produces relations 'under which the alienation of the commodity becomes separated by an interval of time from the realisation of its price . . . This gives rise to relations of creditor and debtor among commodity owners. These relations can be fully developed even before the credit system comes into being, although they are the natural [and spontaneously arisen] basis of the latter.'[17] For 'there was borrowing and lending in earlier situations as well, and usury is even the oldest of the antediluvian forms of capital. But borrowing and lending no more constitute *credit* than working constitutes *industrial labour or free wage-labour*. And credit as an essential, developed relation of production appears *his-*

[14] *Capital* III, Part I, Chapter VI, Section II, p.110.

[15] *ibid.* p.367. Cf. *ibid.* p.376: 'Yet historically interest-bearing capital existed as a completed, traditional form, and hence interest as a completed subdivision of the surplus-value produced by capital, long before the existence of the capitalist mode of production and its attendant conceptions of capital and profit.'

[16] *ibid.* p.598. Money dealing can be characterised as the second origin of the credit system, in connection with which 'the management of interest-bearing capital . . . develops as a special function of the money-dealers.' (*ibid.* p.402.)

[17] *Capital* I, pp.232-33 (134-35) and *Contribution*, p.143.

torically only in circulation based on capital or on wage-labour . . . Although *usury* is itself a form of credit in its *bourgeoisified* form, the form *adapted to capital*, in its pre-bourgeois form it is rather the *expression of lack of credit*.'[18]

The issue is therefore that of the differing social role played by interest-bearing capital in capitalism and in pre-capitalist situations. 'The presentation of the specific, distinguishing characteristics', states Marx in opposition to Storch's comments on credit, 'is here both the *logical* development and the key to the understanding of the *historical* development'.[19] What 'distinguish interest-bearing capital from usurer's capital, insofar as it is an essential element of the capitalist mode of production', are primarily 'the altered conditions under which it operates, and consequently also the totally transformed character of the borrower who confronts the money-lender'. The usurer lends, firstly, to small producers, who own the conditions of their labour (artisans, and above all peasants), and, secondly, to 'extravagant members of the upper classes', basically landowners; the modern bank lends to capitalists. 'Even when a man without fortune receives credit in his capacity of industrialist or merchant, it occurs with the expectation that he will function as capitalist, and appropriate unpaid labour with the borrowed capital. He receives credit in his capacity of potential capitalist.' On the other hand, modern credit presupposes the full development of commodity production and circulation. The opposite is the case with usury. 'The more insignificant the role played by circulation in social reproduction, the more usury flourishes.'[20]

The above shows how absurd it is to lump together the interest-bearing capital of today with its 'antediluvian' form. We read in the *Rough Draft* : 'The level of interest in India for common agriculturalists in no way indicates the level of profit. But, rather, that profit, as well as part of the wage itself, is appropriated in the form of interest by the usurer.[21] It requires a sense of history like that of Mr. Carey to compare this interest with that prevailing on the English money market, which the English capitalist pays, and to conclude therefrom how much higher the "labour-share" (the share of labour in the product) is in England than in India. He ought to have compared the interest which English handloom weavers, e.g. in Derbyshire, pay, whose material and instrument is advanced (lent) by the capitalist. He would have found that the interest is here so high that, after settlement of all items, the worker ends up being the debtor, after not only having made restitution of the capitalist's advance, but also having added his own labour to it free of charge.'[22] Furthermore, Carey should have seen that 'historically . . . the form of industrial profit arises only after capital no longer appears alongside the independent worker. Profit thus appears originally' i.e. in pre-capitalist situations, 'as determined by interest. But in the bourgeois economy, interest [is] determined by profit, and [is] only one of the latter's parts. Hence profit must be large enough to allow a part of it to branch off as interest. Historically, the inverse. Interest must have become so depressed that a part of the surplus gain could achieve independence as profit.' And further : 'Where this relation' of the independent, small-scale producer, who is, however, afflicted by usury, 'repeats itself within the bourgeois economy, it does so in the backward branches of industry, or in such branches as still struggle against their extinction and absorption into the modern mode of production. The most odious exploitation of labour still takes place in them, although here the relation of capital and labour does not carry within itself any basis whatever for the development of new forces of production, or the germ of newer historic forms. In the mode of production itself, capital still here appears materially subsumed under the individual workers or the family of workers – whether in a handicraft business or in small-scale agriculture. What takes place is exploitation by capital without the mode of production of capital . . . This form of usury, in which capital does not seize possession of production, hence is capital only formally, presupposes the predominance of pre-bourgeois forms of production; but reproduces itself again in subordinate spheres within the bourgeois economy itself.'[23]

What must therefore be stressed at the outset is that 'interest and profit both express relations of *capital*'; that the category of interest 'presupposes the division of *profit* into interest and profit'. 'The difference,' says Marx, 'becomes tangible, perceptible as soon as a class of monied capitalists comes to confront a class of industrial capital-

[18] *Grundrisse*, p.535.
[19] *ibid.* p.672.
[20] *Capital* III, pp.594, 600, 610.
[21] It is evident that Marx is speaking only of the 'embryonic' forms of profits and wages here, since he is concerned with pre-capitalist conditions.

[22] Cf. *Capital* III, p.597: 'For instance, if we wish to compare the English interest rate with the Indian, we should not take the interest rate of the Bank of England, but rather, e.g. that charged by lenders of small machinery to small producers in domestic industry.'
[23] *Grundrisse*, pp.851-53. This passage can be found, redrafted and expanded, in *Capital* III, pp.595-98.

ists'.[24] However, monied capitalists and industrial capitalists can only 'form two particular classes because profit is capable of separating off into two branches of revenue'. The mere existence of these classes 'presupposes a division within the surplus-value posited by capital'.[25]

3. *The category of 'capital as money'*

The possibility of this internal division of surplus-value results from the very fact of the valorisation of capital. That is, after the money advanced by the capitalist in the production process has been valorised, it takes on 'the *new* aspect of realised capital'; it turns into the 'perpetually valid form of appearance of capital'.[26] It is of course true that it 'exists, objectively, merely as *money*'; but this money 'is *in itself* already capital; and, as such, it is a *claim on new labour*. Here capital already no longer enters into relation with ongoing labour, but with future labour . . . As a claim, its material existence as money is irrelevant, and can be replaced by any other title. Like the creditor of the state, every capitalist with his newly gained value possesses a claim on future' (alien) 'labour, and, by means of the appropriation of ongoing labour has already at the same time appropriated future labour.' (Marx adds: 'This side of capital to be developed to this point. But already here its property of existing as value separately from its substance can be seen. This already lays the basis for credit.') Thus for the capitalist 'to stockpile it in the form of money is . . . by no means the same as materially to stockpile the material conditions of labour.This is rather a stockpiling of property titles to labour. Posits future labour as *wage-labour*, as use-value for capital.'[27] Only in this way is it possible for 'capital itself . . . to become a commodity', or for 'the commodity (money) to be sold as capital'.[28]

We thus come to the category of 'capital as commodity' or 'capital as money', as distinct from the category of 'money as capital'

[24] In this sense we read in *Capital*: 'It is indeed only the separation of capitalists into money-capitalists and industrial capitalists that transforms a portion of the profit into interest, that creates the category of interest at all.' (*Capital* III, p.370.)

[25] *Grundrisse*, pp.852-53.

[26] *ibid.* p.447.

[27] *ibid.* p.367.

[28] *ibid.* p.851.

expounded previously.[29] In Section I of the *Rough Draft* we read the following: 'As interest, capital itself appears again in the character of a *commodity*, but a commodity *specifically* distinct from all other commodities; *capital as such* – not as a mere sum of exchange-values – enters into circulation and becomes a *commodity*. Here the character of the commodity (i.e. the particular use-value of capital) is itself present as an *economic*, *specific* determinant, not irrelevant as in simple circulation, nor directly related to labour as its opposite, as its [i.e. capital's] use-value, as with industrial capital[30] . . . The commodity as capital, or capital as *commodity*, is therefore not exchanged for an equivalent in circulation; by entering into circulation, it obtains *its being-for-itself*;[31] it obtains its original relation to its owner, even when it passes into the possession of another. It is therefore merely *loaned*. For its owner, its use-value as such is its valorisation; money as money, not as medium of circulation; its *use-value* as *capital*.'[32] Or, as we read in the *Theories*: 'Since, on the basis of capitalist production, a certain sum of values . . . makes it possible to extract a certain amount of labour gratis from the workers and to appropriate a certain amount of surplus-value, surplus labour, surplus-product, it is obvious that money itself can be sold as capital, that is, as a commodity *sui generis* . . . It can be sold as the source of profit. I enable someone else by means of money, etc. to appropriate surplus-value. Thus it is quite in order for me to receive part of this surplus-value. Just as land has value because it enables me to intercept a portion of surplus-value, and I therefore pay for this land only the surplus-value which can be intercepted thanks to it, so I pay for capital the surplus-value which is created by means of it. Since, in the capitalist production process, the value of capital is perpetuated and reproduced in addition to its surplus-value, it is therefore quite in order that, when money or commodities are sold as capital, they return to the seller after a period of time and he does not alienate

[29] Cf. p.186 above.

[30] Cf. Chapter 3, pp.80-83 above.

[31] See the note on p.244 of the *Grundrisse*.

[32] *ibid.* pp.318-19. 'What, now, is the use-value which the money-capitalist gives up for the period of the loan and relinquishes to the productive capitalist – the borrower? It is the use-value which the money acquires by being capable of becoming capital, of performing the functions of capital, and creating a definite surplus-value, the average profit . . . during its process, besides preserving its original magnitude of value. In the case of the other commodities the use-value is ultimately consumed. Their substance disappears, and with it their value. In contrast, the commodity-capital is peculiar in that its value and the use-value not only remain intact, but also increase through consumption of its use-value.' (*Capital* III, p.351.)

them in the same way as he would a commodity. In this way, money or commodities are not sold as money or commodities, but in their second power, as *capital*, as self-augmenting money or commodity-value.'[33]

4. *Critique of Proudhonism*

It is precisely the fact that capital, in that it becomes a commodity, can only be loaned, and must therefore return to its owner, which forms the basis of the critique of interest-bearing capital by the petit-bourgeois socialists (Proudhon and his school). Marx writes: 'In the whole polemic by M. Proudhon against Bastiat . . . Proudhon's argument revolves around the fact that lending appears as something quite different to him from selling. To lend at interest' (thinks Proudhon), 'is "the ability of selling the same object again and again, and always receiving its price anew, without ever giving up ownership of what one sells" . . . The different form in which the reproduction of capital appears here deceives him into thinking that this constant reproduction of the capital – whose price is always obtained back again, and which is always exchanged anew for labour at a profit, a profit which is realised again and again in purchase and sale – constitutes its concept. What leads him astray is that the "object" does not change owners, as with purchase and sale; thus basically only the form of reproduction peculiar to capital lent at interest changes into the form of reproduction peculiar to fixed capital.' However: 'If the circulating capital is regarded in its whole process, then it may be seen that, although *the same object* (this specific pound of sugar e.g.) is not always sold anew, the same value does always reproduce itself anew, and the sale concerns only the form, not the substance.' Thus, according to Proudhon 'everything should be *sold*, not *lent*.' He 'wants to cling to the simplest, most abstract form of exchange', at the same time failing to grasp that 'the exchange of commodities rests on the exchange between capital and labour', and that not only does the category of profit proceed necessarily from this very exchange, but also that of interest. That is, he does not understand that 'in order to abolish interest, he also has to abolish *capital* itself, the mode of production based on exchange-value, and hence wage-labour too'.[34] His demand 'that capital should

[33] *Theories* III, p.455.

[34] *Grundrisse*, pp.843-44. (The same passage – redrafted – appears in Volume III of *Capital*, pp.345-47.)

not be loaned out and should bear no interest, but should be sold like a commodity for its equivalent, amounts at bottom to no more than the demand that exchange-value should never become capital, but always remain simple exchange-value; that *capital* should *not exist as capital*. This demand, combined with the other, that wage-labour should remain the general basis of production, reveals a happy confusion with regard to the simplest economic concepts.'[35]

5. *The 'Rough Draft' on the role of credit in the capitalist economy*

At this point we must be careful to make a distinction between the possibility and the necessity of the credit system.

We saw how the possibility of credit relations originated in money's function as means of payment. We saw, further, how on the basis of the capitalist mode of production any sum of money capable of being laid out as capital represented a 'claim to alien labour', and could therefore be lent at interest as a potential source of profit. The actual provision of such loan-capital, on a regular basis and in sufficient quantity, is taken care of by the circulation process of capital, within which sums of money are periodically released, which are superfluous to the requirements of the individual's own enterprise and can therefore be put at the disposal of other capitalists through the medium of credit.[36]

The possibility of credit is therefore a product of the 'inner nature' of the capitalist mode of production itself; it is inherent to its 'concept'. There are, however, moments in the development and life-cycle of capital, which establish not only the possibility, but also the necessity of the credit system; which in fact cause credit to appear as a necessary condition of capitalist production; the chief of these is the striving for continuity, for the uninterrupted flow of the production process.

Why this striving is necessary is quite obvious. Capital only creates surplus-value in the production process: 'the *constant continuity*' of this process therefore 'appears as a fundamental condition for production based on capital'. On the other hand, each phase of

[35] *Grundrisse*, p.319.

[36] 'The money-capital thus released by the mere mechanism of the turnover movement (together with that freed by the successive reflux of fixed capital and that required in every labour process for variable capital) must play an important role as soon as the credit system develops and must at the same time form one of the latter's foundations.' (*Capital* II, p.286.)

production must be followed by a phase of circulation, which constantly interrupts the continuity of production. 'Thus the conditions of production arising out of the nature of capital itself contradict each other. The contradiction can be superseded and overcome only in two ways'. First, by the division of capital into portions (discussed in Chapter 23 above); and secondly – through credit. 'A pseudo-buyer B – i.e. someone who really *pays* but does not really buy – mediates the transformation of capitalist A's products into money. But B himself is paid only after capitalist C has brought A's products. Whether the money which this credit-man B gives to A is used by A to buy labour or to buy raw material and instrument, before A can replace either of them from the sale of his product, does not alter the case . . . In this case capital B replaces capital A; but they are not valorised at the same time. Now B takes the place of A; i.e. his capital lies fallow, until it is exchanged with capital C. It is frozen in the product of A, who has made his product liquid in capital B.'[37]

According to Marx this is an aspect of credit which 'arises out of the direct nature of the production process', and thus constitutes 'the foundation of the necessity for credit'.[38] But the other moments which establish the necessity of credit are no less important.

We know that circulation time is always a barrier to the creation and realisation of value, 'a barrier arising not from production generally but specific to the production of capital'.[39] Consequently the 'necessary tendency of capital', is not only to shorten circulation time, but to reduce it to nothing wherever possible, i.e. to bring about '*circulation without circulation time*'. Marx stresses that it is precisely this tendency which is 'the fundamental determinant of credit and of capital's credit contrivances'.[40] In this context we should refer first to the function of money as a 'circulation machine', which is bound up with large unproductive expenditure. 'Insofar as it is value in itself' it is to be characterised as 'one of the principal costs of circulation' of capitalist production.[41] Hence capital strives to 'economise'

[37] *Grundrisse*, pp.534-35, 549.
[38] *ibid.* p.535.
[39] *ibid.* p.543.
[40] *ibid.* p.659.
[41] *Capital* III, p. 435. Cf. *Capital* II, p.350: 'The entire amount of labour-power and social means of production expended in the annual production of gold and silver intended as instruments of circulation constitutes a bulky item of the *faux frais* of the capitalist mode of production, of the production of commodities in general. It withdraws from social utilisation as many additional means of production and consumption, i.e. as much real wealth as possible. To the extent that the costs of this expensive machinery of circulation are decreased, the given scale of production or the given degree of its extension

on money, and to posit it 'as a merely formal moment: so that it mediates the formal transformation' of commodities, 'without itself being *capital*, i.e. value';[42] on the other hand the striving 'to give *circulation time value*, the value of *production-time*, in the various organs which mediate the process of circulation time and of circulation; to posit them all as money, and, more broadly as capital . . . All this springs from the same sources. All the requirements of circulation . . . although they take on different and seemingly quite heterogeneous forms, are all derived from *circulation time*. The machinery for abbreviating it is itself a part of it.' And it is precisely for this reason that 'the contradiction of labour-time and circulation time contains the entire doctrine of credit, to the extent, namely, that the history of currency etc. enters here.'[43]

However, circulation time is not the only barrier against which capital's drive for valorisation collides. There is also the barrier presented by the sphere of exchange; this consists in the fact that on the one hand capital must produce on a capitalist basis without regard to the limited dimensions of consumption, but that on the other, as value, it presupposes a counter-value against which it can be exchanged.[44] Credit is also enormously significant in this context – as the course of the industrial cycle shows. In fact, adds Marx, 'this appears more colossally classically, in the relation between peoples than in the relation between individuals. Thus e.g. the English forced to *lend* to foreign nations, in order to have them as customers. At bottom the English capitalist exchanges doubly with *productive* English capital, (1) as himself, (2) as Yankee etc. or in whatever other form he has placed his money.'[45]

remaining constant, the productive power of social labour is, *eo ipso*, increased. Hence, so far as the forms of existence which develop with the credit system have this effect, they increase capitalist wealth directly, either by performing a large portion of the social production and labour process without any intervention of real money, or by improving the ability of the quantity of money actually functioning to perform its functions.'

[42] Marx stresses in *Capital* that 'it should always be borne in mind that money – in the form of precious metal – remains the foundation, from which the credit system, by its very nature, can never detach itself.' (*Capital* III, p.606.)
[43] *Grundrisse*, pp.659-60.
[44] This necessity clearly would not exist 'if all capitals [produced] to order for each other, and the product [was] therefore always immediately money': but this is a 'notion which contradicts the nature of capital, and hence also the practice of large-scale industry'. (*ibid.* p.549.)
[45] *ibid.* p.416. Cf. *Theories* III, p.122: 'The author [of *An Inquiry into Those Principles* . . .] also admits that the credit system may be a cause of crises (as if the credit system itself did not arise out of the difficulty of employ-

(In *Capital* III Marx refers in addition to the 'necessary development' of credit, 'in order to effect the equalisation of the rate of profit . . . upon which the whole of capitalist production rests';[46] however, this aspect is not mentioned in the *Rough Draft*.)

6. *The barriers of the credit system*

As we have just seen, 'the entire *credit system*, and the overtrading, over-speculation etc. connected with it, rests on the necessity of expanding and leaping over the barrier to circulation and the sphere of exchange'.[47] It is in this sense that credit is 'an inherent form of the capitalist mode of production' upon which 'the entire connection of the reproduction process is based'.[48] Nevertheless, the role of credit should not be overestimated! For, just as 'money overcomes the barriers of barter only by generalising them – i.e. separating sale and purchase entirely', credit, similarly, only overcomes the barriers to the valorisation of capital 'by raising them to their most general form, positing one period of overproduction and one of underproduction as two periods'.[49] Although its development results in 'the acceleration . . . of the individual phases of circulation, or of the metamorphosis of commodities, and with it an acceleration of the process of reproduction in general', at the same time 'credit helps to keep the acts of buying and selling further apart in time and serves thereby as the basis for speculation'.[50] For this reason Marx mocks

ing capital "productively", i.e. "profitably"). The English, for example, are forced to lend their capital to other countries in order to create a market for their commodities. Overproduction, the credit system, etc. are means by which capitalist production seeks to break through its own barriers and to produce over and above its own limits. Capitalist production, on the one hand, has this driving force; on the other hand, it only tolerates production commensurate with the profitable employment of existing capital. Hence crises.'

[46] *Capital* III, p.435.

[47] *Grundrisse*, p.416.

[48] *Capital* III, p.606.

[49] *Grundrisse*, p.623.

[50] *Capital* III, p.436. Cf. *ibid.* p.441: 'The credit system appears as the main lever of overproduction and overspeculation in commerce solely because the reproduction process, which is elastic by nature, is here forced to its extreme limits, and is so forced because a large part of the social capital is employed by people who do not own it and who consequently tackle things quite differently than the owner, who anxiously weighs the limitations of his private capital insofar as he handles it himself. This simply demonstrates the fact that the valorisation of capital based on the contradictory nature of capitalist production permits real, free development only up to a certain

the 'circulation artists', 'who imagine that they can do something with the velocity of circulation other than lessen the obstacles to reproduction . . . Even madder, of course, are those circulation artists who imagine that credit institutes and inventions which abolish the lag of circulation time will not only do away with the delays and interruptions in production caused by the transformation of the finished product into capital, but will also make the capital, with which productive capital exchanges, itself superfluous; i.e. they want to produce on the basis of exchange-value but at the same time to remove, by some witchcraft, the necessary conditions of production on this basis. The most that credit can do in this respect – as regards *mere* circulation – is maintain the continuity of the production process, *if* all other conditions of this continuity are present, i.e. if the capital to be exchanged with actually exists etc.'[51]

These arguments from the *Rough Draft* are clearly still valid today. The same also applies to Marx's critique of the 'illusions concerning the miraculous power of the credit and banking system in the socialist sense': 'As soon as the means of production have ceased to be transformed into capital (which also includes the abolition of private property in land), credit as such no longer has any meaning . . . On the other hand, as long as the capitalist mode of production continues to exist, interest-bearing capital, as one of its forms, also continues to exist and constitutes in fact the basis of its credit system.'[52] And consequently, the conception of the essentially 'socialist' character of credit belongs in the arsenal of petit-bourgeois utopias. This is clearly not contradicted by the fact that credit reveals itself as the driving force in the development of the capitalist order to its 'highest and ultimate form'[53] and hence works towards its dissolution; the reason is that it is credit which represents the form 'in which capital tries to posit itself as distinct from the individual capital' and in which the social character of capitalist production is most strikingly

point, so that in fact it constitutes an immanent fetter and barrier to production, which is continually broken through by the credit system. Hence, the credit system accelerates the material development of the productive forces and the establishment of the world market. It is the historical mission of the capitalist system of production to raise these material foundations of the new mode of production to a certain degree of perfection. At the same time credit accelerates the violent eruptions of this contradiction – crises – and thereby the elements of disintegration of the old mode of production.'

[51] *Grundrisse*, pp.545-46.

[52] *Capital* III, p.607.

[53] *ibid.*

expressed.[54] 'The highest result it [i.e. capital] achieves in this line is, on one side, *fictitious capital*; on the other side, credit only appears as a new element of *concentration*, of the destruction of capitals by individual, centralising capitals.'[55] However, this raises a series of questions which go far beyond the study of 'capital in general', and which are therefore not dealt with in detail in the *Rough Draft*. We should bear in mind that the reason for this exclusion is that the basic tendencies of credit are only dealt with in the *Rough Draft* as they emerge from the abstract, general analysis of the capitalist process of production and circulation.[56] It is nonetheless amazing to see the extent to which many of the later results of the analysis of the credit system in Volume III of *Capital* were anticipated by this method in the *Rough Draft*.

[54] *Grundrisse*, p.659. See Marx's outline in a letter to Engels of 2 April 1858: 'c) Credit, here capital as the general principle confronts the individual capitals.' (*Selected Correspondence*, p.97.)

[55] *Grundrisse*, p.659. Cf. *ibid.* p.657: 'This suspension (of the seeming independence and independent survival of individual capitals) takes place even more in credit. And the most extreme form to which the suspension proceeds, which is however at the same time the ultimate positing of capital in the form adequate to it – is joint-stock capital.' We have already pointed out in Chapter 2 above that Marx was able to predict the transition from competitive capitalism to monopoly capitalism in the *Rough Draft*.

[56] This explains why such an important aspect as the role of credit in the equalisation of the general rate of profit was not dealt with in the *Rough Draft*.

Appendix

On recent criticisms of Marx's law of the falling rate of profit

I. There can scarcely be one basic principle in Marx's entire system which has been so unanimously rejected by both academic and non-academic critics as his law of the tendency of the rate of profit to fall: yet the arguments used by his critics on the issue are perhaps the least satisfactory of any. Two writers who have recently concerned themselves with Marx's law can be cited as examples of this. They are Joan Robinson[1] and the American marxist, Paul Sweezy.[2]

As with earlier critics of the law, Robinson and Sweezy consider that Marx is guilty of what is primarily a methodological inconsistency. Marx allegedly formulated his law under the assumption of a constant rate of surplus-value; he arbitrarily separated the factors which reduce the rate of profit from those which increase it, in order to derive his law from the former, and the 'countervailing influences' from the latter. Or, as the original proponent of this objection, von Bortkiewicz, stated: 'The error in the proof of the law which Marx offers chiefly consists in the fact that he neglected the mathematical relation between the productivity of labour and the rate of surplus-value. He regarded the latter as a separate factor. The absurdities to which such a way of isolating factors generally leads can be seen from the following simple example. Take a positive value a, which is related to other positive values b and c through the function $a = b/c$.

The question is, how does a change, when each of the values b and c depend on d. For example where $b = d^5$, and $c = d^3$. The correct solution to the question is clearly this. One eliminates b and c from the expression for a, finds that $a = d^2$ and concludes from this that a varies in the same direction as d. But if Marx's method of isolating is used in this example, one could express e.g. a by b/d^3 and draw the conclusion from this formula, that a gets smaller as d increases, and larger as d decreases. If one were to add to this that a

[1] J.Robinson, *An Essay on Marxian Economics*, London: Macmillan 1966, Chapter 5.

[2] P.M.Sweezy, *The Theory of Capitalist Development*, 1942, Chapter 6.

change in *b* could obscure this connection, but that this is a separate thing, then the essential identity of this procedure with Marx's method of isolating becomes even clearer.'[3]

Is this objection valid? Did Marx really lay himself open to the accusation that he violated the elementary rules of logic? Let us take a closer look.

II. The first (but only the first) page of Chapter XIII in Volume III of *Capital*, which deals with the law of the tendency of the rate of profit to fall, seems, in fact, to prove the correctness of the above statement. Marx begins with a numerical example intended to show how differences in the organic composition of capital affect the particular rates of profit in the five different branches of production (before the equalisation of these rates of profit to an average rate). Naturally, this can be shown most easily if one temporarily abstracts from other factors which could influence the rate of profit – chiefly differences in the degree of exploitation of labour. Consequently, Marx assumes – as in the previous sections in Volume III – that the rate of surplus-value is equal to 100 per cent in all five branches of production; i.e. that the workers work half a day for themselves and half a day for the employer. Marx demonstrates that the rates of profit in the five branches of production have to stand in an inverse relation to the level of the organic composition.[4] However, what

[3] L. von Bortkiewicz, *'Wertrechnung und Preisrechnung im Marxschen System'* in *Archiv für Sozialwissenschaft und Sozialpolitik*, Sept. 1907, pp.466-67. (English translation 'Value and price in the marxian system', *International Economic Papers* no.2, 1952.) In addition Bortkiewicz should also have directed his criticism not only at Marx, but also at Mill, since Mill had already dealt with the problem of the tendency of the rate of profit to fall in two stages; first he looked at the law itself; and then, the factors counteracting it. (It was Henryk Grossmann who first referred to the similarity in the methods used by Marx and Mill in his *Akkumulations-und Zusammenbruchsgesetz des kapitalistischen Systems*, p.116.)

[4] Marx gives the following example (*Capital* III, p.211):

	Constant Capital	Variable Capital	Surplus -Value	Rate of Surplus-Value	Rate of Profit
I	50	100	100	100%	66⅔%
II	100	100	100	100%	50%
III	200	100	100	100%	33⅓%
IV	300	100	100	100%	25%
V	400	100	100	100%	20%

However it is immediately clear that Marx could have constructed his example so that the rate of surplus-value increased from one branch of production to the next, e.g.

applies to branches of production standing alongside one another at one point in time also applies to the various successive states of the total social capital. The average composition of social capital continually increases, and this is precisely the reason why 'the gradual growth of constant capital in relation to variable must necessarily lead to a *gradual fall of the general rate of profit*, so long as the rate of surplus-value, or the intensity of exploitation of labour by capital, remains the same.'[5] But we also read on the very same page: 'The hypothetical series [of five branches of production] . . . expresses the actual tendency of capitalist production. This mode of production produces a progressive relative decrease of the variable capital as compared to the constant capital, and consequently a continually rising organic composition of the total capital. The immediate result of this is that the rate of surplus-value, at the same, or even a rising, degree of labour exploitation, is represented by a continually falling rate of profit.'[6] And two pages further on: 'The law of the falling rate of profit, which expresses the same, or even a higher rate of surplus-value, states, in other words, that any quantity of the average social capital, say, a capital of 100, comprises an ever larger portion of the means of labour, and an ever smaller portion of living labour. Therefore, since the aggregate mass of of living labour operating the means of production decreases in relation to the value of these means of production, it follows that the unpaid labour and the portion of value in which it is expressed must decline as compared to the value of the advanced total capital. Or: an ever smaller aliquot part of total invested capital is converted into living labour, and this total

	Constant Capital	Variable Capital	Surplus -Value	Rate of Surplus-Value	Rate of Profit
I	50	100	100	100%	66⅔%
II	100	100	130	130%	65%
III	200	100	192	192%	64%
IV	300	100	252	252%	63%
V	400	100	310	310%	62%

Thus, in this case too, the rate of profit would gradually fall – despite the sharply rising rate of surplus-value. (Admittedly, the example is quite arbitrary; if we had assumed a faster growth in the rate of surplus-value, then the rate of profit would not have fallen, but rather risen. However, it would be completely wrong to think that the fall in the rate of profit can be compensated for, in all circumstances, by the increase in the rate of surplus-value. We will see later why Marx rejected such an assumption from the outset.)

[5] *Capital* III, p.212.

[6] *ibid.* pp.212-13.

capital, therefore, absorbs in proportion to its magnitude less and less surplus labour, although the unpaid part of the labour applied may at the same time grow in relation to the paid part.'[7]

Marx says the same thing on pages 220-21, 226-27, 229, 233-34 and 241-42 of Volume III. And finally at the end of Chapter XIV he regarded it as necessary – 'in order to avoid misunderstandings' – to repeat: 'The tendency of the rate of profit to fall is bound up with a tendency of the rate of surplus-value to rise, hence with a tendency for the rate of labour exploitation to rise . . . The rate of profit does not fall because labour becomes less productive, but because it becomes more productive. Both the rise in the rate of surplus-value and the fall in the rate of profit are but specific forms through which growing productivity is expressed under capitalism.'[8]

The passages above are also complemented by equally categorical statements in the *Theories*.[9] Marx clearly had no intention of restricting his law to the case of a constant rate of surplus-value. According to him, even a rising rate of surplus-value must eventually be expressed in a falling rate of profit. However, this does not prevent his critics from interpreting the law in a completely different sense. Thus, Joan Robinson writes on this law: 'Marx's theory, as we have seen, rests on the assumption of a constant rate of exploitation.' This

[7] *ibid.* pp.215-16.

[8] *ibid.* p.240. Cf. *Theories* II, p.439: 'The rate of profit falls although the rate of surplus-value remains the same or rises, because the proportion of variable capital to constant capital decreases with the development of the productive power of labour. The rate of profit thus falls, not because labour becomes less productive, but because it becomes more productive. Not because the worker is less exploited, but because he is more exploited, whether the absolute surplus time grows or, when the state prevents this, the relative surplus time grows, for capitalist production is inseparable from falling relative value of labour.'

[9] We should also mention in this context pp.240, 302, 311 and 369 in Part III of *Theories*. On p.302 Marx states: 'I have explained the decline in the rate of profit in spite of the fact that the rate of surplus-value remains the same or even rises, by the decrease of the variable capital in relation to the constant, that is, of the living present labour in relation to the past labour which is employed and reproduced.' And on p.311: 'This is where Hodgskin's view merges with the general law which I have outlined. The surplus-value, i.e. the exploitation of the worker, increases, but, at the same time, the rate of profit falls because the variable capital declines as against the constant capital, because, in general, the amount of living labour falls relatively in comparison with the amount of capital which sets it in motion. A larger portion of the annual product of labour is appropriated by the capitalist under the signboard of capital, and a smaller portion under the signboard of profit.'

then leads on to the following objection:[10] 'This proposition [i.e. Marx's law] stands out in startling contradiction to the rest of Marx's argument. For if the rate of exploitation tends to be constant, real wages tend to rise as productivity increases. Labour receives a constant proportion of an increasing total. Marx can only demonstrate a falling tendency in profits by abandoning his argument that real wages tend to be constant. This drastic inconsistency he seems to have overlooked.'

But, secondly, Robinson believes that Marx's law consists 'simply in the tautology: when the rate of exploitation is constant, the rate of profits falls as capital per man increases. Assuming constant periods of turnover, so that $c + v$ measures the stock of capital: when s/v is constant and c/v is rising, $s/(c+v)$ is falling.'[11] It is hardly surprising that Joan Robinson comes to the totally negative judgement that Marx's 'explanation of the falling tendency of profits explains nothing at all'.[12]

III. It is clear that we can now simply brush both objections aside; since Marx in no way connected his law to the assumption of a constant rate of surplus-value, he cannot be criticised either for an 'inconsistency' or a 'tautology' on this question. However, this does not completely take care of the criticisms directed against his 'method of isolating factors'. For, if Marx's law is in fact based on the assumption of a constant rate of surplus-value, why does he treat the factors which raise the rate of profit as 'things for themselves'? Why does he

[10] Sweezy argues in similar fashion: 'We have seen that the tendency of the rate of profit to fall is deduced by Marx on the assumption that the organic composition of capital rises while the rate of surplus-value remains constant. Is it justifiable, however, to assume at the same time a constant rate of surplus-value? It is necessary to be clear about the implications of the latter assumption. A rising organic composition of capital goes hand in hand with increasing labour productivity. If the rate of surplus-value remains constant, this means that a rise in real wages takes place which is exactly proportional to the increase in labour productivity. Suppose that labour productivity is doubled, that is to say, that in the same time labour produces twice as much as previously. Then, since an unchanged rate of surplus-value means that the labourer works the same amount of time for himself and the same amount for the capitalist as previously, it follows that both the physical output represented by the wage and the physical output represented by the surplus-value have also doubled. In other words, the labourer benefits equally with the capitalist in the increased productivity of his labour. While there can be no logical objection to an assumption which leads to this result, there are nevertheless grounds for doubting its appropriateness.' (*Theory of Capitalist Development*, pp.100-01.)

[11] J.Robinson, *Essay on Marxian Economics*, p.36.

[12] *ibid.* p.42.

leave the study of such important factors as the 'increase in the degree of labour exploitation', or 'relative surplus population' etc. until after the presentation of the law itself : i.e. until Chapter XIV, and merely allot them the role of 'countervailing influences' to the law?

This objection plays a large part in Sweezy's criticism : 'It seems hardly wise to treat an integral part of the process of rising productivity' (Sweezy means the increase in the rate of surplus-value) 'separately and as an off-setting factor; a better procedure is to recognise from the outset that rising productivity tends to bring with it a higher rate of surplus-value. Furthermore, this is what Marx usually does.'[13]

This is really a strange argument. The problem which confronted Marx was this : how does the continually growing productivity of social labour affect the average rate of profit? Since the level of the rate of profit depends on two factors – the rate of surplus-value and the organic composition of capital – and since the growth in the productivity of labour affects both factors, then we would indeed be presented with the 'method of isolation', criticised by Bortkiewicz, if Marx only looked at the increase in organic composition, for example, without noting that the growing productivity of labour must simultaneously raise the rate of surplus-value (even if to a lesser extent), or, conversely, if he saw only the increase in the rate of surplus-value resulting from the growth of productivity, and left out of consideration the even stronger tendency towards an increase in the organic composition of capital which is bound up with it. There are also, of course, moments which only affect one of the two factors, without immediately affecting the other. For example, any attentive reader of the chapter dealing with 'countervailing influences' (Chapter XIV) will notice that Marx only looks at those methods of exploitation (for example Section I – 'Increasing intensity of exploitation') in which a rise in the rate of surplus-value is not simultaneously accompanied by an 'increase or proportional increase of constant capital as against variable'; i.e. where the organic composition remains initially unchanged.[14] By contrast, methods which 'include a growth in constant capital as against variable i.e. a fall in the rate

[13] *Theory of Capitalist Development*, p.101.

[14] *Capital* III, p.234. 'There are many ways of intensifying labour which imply an increase of constant, as compared to variable capital, such as when a worker has to operate a larger number of machines . . . But there are other aspects of intensification, such as the greater velocities of machinery, which consume more raw material in the same time, but, as far as the fixed capital is concerned, wear out machinery so much faster, and yet do not in any way affect the relation of its value to the price of the labour which sets it in motion.

of profit' (that is, what are essentially methods for producing relative surplus-value) were of course already considered in the exposition of the law itself in Chapter XIII. And for this reason 'relative overpopulation' is examined in Chapter XIV only insofar as it facilitates the continued existence of branches of production with an especially low organic composition, as a consequence of the 'cheapness and abundance of disposable or unemployed wage-labourers, and of the greater resistance which some branches of production, by their very nature, oppose to the transformation of manual work into machine production.' (However, Section IV of Chapter XIV of Volume III does not deal, nor is it intended to deal, with the general effects of relative overpopulation on wages and the degree of exploitation of labour.)[15] This restriction also applies to the subsequent devaluation of constant capital,[16] as well as to all methods of production 'which

But, notably, it is the prolongation of the working day, this invention of modern industry, which increases the mass of appropriated surplus labour without essentially altering the proportion of the employed labour-power to the constant capital set in motion by it, and which rather tends to reduce this capital relatively.' (*ibid.* pp.232-33.)

[15] Sweezy is therefore wrong when he raises the following objection to the argument of this section: 'It would seem, however, that a more important effect of the reserve army . . . is through competition on the labour market with the active labour force, to depress the rate of wages and in this way to elevate the rate of surplus-value.' (*Theory of Capitalist Development*, p.99.) Without a doubt, if Marx had discussed this subject in Chapter XIV this would have led, in fact, to what Bortkiewicz criticised him for.

[16] The fact that Marx included the devaluation of constant capital in the tendencies which counteract the fall in the rate of profit arouses Sweezy's disapproval. He says: 'It might seem that it would be preferable to look first at what might be called the "original" increase of the organic composition, to observe the effects of this on the rate of profit, and only then to take account of the cheapening of the elements of constant capital which is itself due to the rise in productivity associated with the "original" increase. It might be held that if this were done, the rate of increase of the organic composition would appear much larger and that this fact is prevented from showing in the statistics only by one of the "counteracting causes". It is doubtful, however, whether any useful purpose can be served by such an attempt to preserve Marx's implied distinction between the primary rise in the organic composition and the counteracting (but smaller) fall due to the cheapening of the elements of constant capital. All that can be observed is the net change in the organic composition which is the resultant of both forces. It seems better, therefore, to use the expression "change in the organic composition of capital" only in the net sense which takes account of cheapening of the elements of constant capital. If this is done there will perhaps be less temptation to think of the organic composition in physical instead of value terms.' (*ibid.* pp.103-04.)

If we are to believe Sweezy, Marx takes the technical composition of capital as the basis of the law so that he can smuggle in the value composition as a 'counteracting influence'.

raise the rate of profit at a constant rate of surplus-value, or independently of the rate of surplus-value'.[17] And if the critics fail to notice the methodological distinction between Chapters XIII and XIV, this probably has less to do with the rather complex structure of these chapters, than with the preconceived ideas with which they set about their study.

IV. However, if Marx himself did take account of the mutual relation between the organic composition and the rate of surplus-value, i.e. if his law is not based on an arbitrary 'method of isolation', aren't we then compelled to accept an interpretation which denies the tendency of the rate of profit to fall? Wouldn't we then have every reason to agree with Sweezy that: 'If both the organic composition of capital and the rate of surplus-value are assumed variable . . . then the direction in which the rate of profit will change becomes indeterminate. All we can say is that the rate of profit will fall if the percentage increase in the rate of surplus-value is less than the percentage decrease in the proportion of variable to total capital.' However, 'there is no general presumption that changes in the organic composition of capital will be relatively so much greater than changes in the rate of surplus-value that the former will dominate movements in the rate of profit. On the contrary, it would seem that we must regard the two variables as of roughly co-ordinate importance . . . In the general case, therefore, we ought to assume that the increasing organic composition of capital proceeds *pari passu* with a rising rate of surplus-value.'[18] Or, as Natalie Moszkowska says: 'The rate of profit would only fall with technical progress, if it were only the composition of capital which rose and not labour productivity as well. If the rising productivity of labour causes the value of the material and human means of production to fall, then the composition of capital (c/v) will subsequently fall and the rate of surplus-value (s/v) rise. Immediately after the introduction of a technical innovation, equipping the workers with expensive means of production does indeed raise the composition of capital; but after the cheapening of the means of production due to rising productivity of labour, it falls again. And since wages also fall after cheapening of the workers' consumer goods, i.e. the rate of surplus-value rises, then the rate of profit cannot fall.'[19]

[17] *Capital* III, p.236.

[18] Sweezy, *Theory of Capitalist Development*, pp.102, 104.

[19] Moszkowska, *Zur Kritik moderner Krisentheorien*, 1935, p.46. In her previous book (*Das Marxsche System*, 1929, p.118) she wrote: 'The "law of the tendency of the rate of profit to fall" is not a historical, but a dynamic law. It does not confirm a historical fact, namely that the rate of profit falls; it only formulates the mutual dependence of two variables, namely 1. If the rate of surplus-value remains constant, the profit rate falls. 2. If the profit rate remains constant, the rate of surplus-value increases.

That is, the law simply expresses a functional connection. And for this reason one could equally call the law of the "tendency of the rate of profit to fall" the law of the "tendency of the rate of surplus-value to rise".' With the same logic, Moszkowska could call it the 'law of the falling, or not-falling rate of profit'. It is clear that such an interpretation would destroy Marx's law.

Marx's critics consequently stake their arguments on factors which counteract the tendency of the rate of profit to fall – on the one hand, the subsequent devaluation of the elements of constant capital, and, on the other, the increase in the rate of surplus-value. No one can deny that these factors are at work: the key question is, to what extent do they assert themselves?

As far as the first factor is concerned, it is sufficient in this context to look at one passage in Part III of *Theories*, the chapter on Cherbuliez, which the critics did not notice. We read there: 'There can be no doubt that machinery becomes cheaper, and this for two reasons: (1) the application of machinery to the production of raw materials from which the machinery is made. (2) The application of machinery in the transformation of these materials into machinery. In saying this, we already say two things. Firstly, that in both these branches, compared with the instruments required in the manufacturing industry, the value of the capital laid out in machinery also grows as compared with that laid out in wages. Secondly, what becomes cheaper is the individual machine and its component parts, but a system of machinery develops: the tool is not simply replaced by a single machine, but by a whole system, and the tools which perhaps played the major part previously . . . are now assembled in thousands. Each individual machine confronting the worker is in itself a colossal assembly of instruments which he formerly used singly, e.g. 1,800 spindles instead of one. But, in addition, the machine contains elements which the old instrument did not have. Despite the cheapening of individual elements, the price of the whole aggregate increases enormously and the productivity consists in the continuous expansion of the machinery.' Marx continues: 'It is therefore self-evident or a tautological proposition that the increasing productivity of labour caused by machinery corresponds to increased value of the machinery relative to the amount of labour employed (consequently to the value of labour), the variable capital.'[20]

But what about the raw materials? 'It is obvious that the quan-

[20] *Theories* III, pp.366-67.

tity of raw material must increase proportionally with the productivity of labour; that is, the amount of raw material must be proportionate to that of labour. [But can't this growth in the amount be made up for by a growth in productivity, which reduces the value to exactly the same amount?][21] . . . If, for example, productivity in spinning increases tenfold, that is, a single worker spins as much as ten did previously, why should not one Negro produce ten times as much cotton as ten did previously, that is why should the *value* ratio not remain the same? The spinner uses ten times as much cotton in the same time. The ten times larger amount of cotton therefore costs no more than a tenth of this amount cost previously. This means that despite the increase in the amount of the raw material, its value ratio to variable capital remains the same . . . To this it is quite easy to answer that some kinds of raw materials, such as wool, silk, leather, are produced by animal organic processes, while cotton, linen etc. are produced by vegetable organic processes and capitalist production has not yet succeeded, and never will succeed in mastering these processes in the same way as it has mastered purely mechanical or inorganic chemical processes. Raw materials such as skins etc. and other animal products become dearer partly because the . . . law of rent increases the value of these products as civilisation advances. As far as coal and metal . . . are concerned, they become much cheaper with the advance of production; this will however become more difficult as mines etc. are exhausted.' Marx concludes : 'The cheapening of raw materials, and of auxiliary materials, etc. checks but does not cancel the growth in the value of this part of capital. It checks it to the degree that it brings about a fall in profit. This rubbish is herewith disposed of.'[22]

V. Finally, how should we judge the main counter-argument offered by Marx's critics – namely, as they put it, the increase in the rate of surplus-value *pari passu* with the rise in organic composition? This argument overlooks several details. First, that 'the value of labour-power does not fall in the same degree as the productivity of labour or of capital increases'. This is because 'this increase in productive power likewise increases the ratio between constant and variable capital in all branches of industry which do not produce necessaries (either directly or indirectly) *without giving rise to any kind of alteration in the value of labour.* The development of productive power is not uniform. It is in the nature of capitalist production that it devel-

[21] This sentence in brackets was added by Kautsky, the original editor of *Theories.*

[22] *Theories* III, pp.367-69.

ops industry more rapidly than agriculture.[23] This is not due to the nature of the land, but to the fact that in order to be exploited really in accordance with its nature land requires different social relations . . . An additional factor is that, as a consequence of landownership, agricultural products are expensive compared with other commodities, because they are sold at their value and are not forced down to the price of production. They form, however, the principal constituent of the means of subsistence.[24] Furthermore, if one-tenth of the land is dearer to exploit than the other nine-tenths, these latter are likewise hit "artificially" by this relative barrenness, as a result of the law of competition.'[25] On the other hand, however, 'impeding factors' enter here, such as, for example, 'that the workers themselves, although they cannot prevent reductions in (real) wages, will not permit them to be reduced to the absolute minimum; on the contrary they achieve a certain quantitative participation in the general growth of wealth'.[26]

This is not the only reason for the mistakes made by Marx's critics ! Much more important is the fact that they also overlook that the increase in the rate of profit secured by raising the intensity of the exploitation of labour is no abstract procedure or arithmetical operation; rather, it is always related to actual living workers, and their performance. In other words, the surplus labour which a worker can perform has definite limits. On the one hand the length of the working day, and on the other the part of the working day necessary for the reproduction of the workers themselves. For example, if the normal working day amounts to 8 hours, no increase in productive power can squeeze more surplus labour out of the worker than 8 minus as many hours as correspond to the production of the wage. If the technique of production succeeded in reducing the necessary labour-time from e.g. 4 hours to half an hour, then surplus labour would still not come to more than 15/16 of the work-

[23] The extent to which the differences between industry and agriculture can be reduced through technical progress is clearly a question which cannot be discussed here.

[24] Once more, a reservation is necessary here. The North American worker spends a much smaller portion of his or her wage on food than the European worker, who in turn spends less than the Asian.

[25] *Theories* III, pp.300-01. As one can see, Marx expressed himself on this point as clearly and specifically as possible. Despite this, one still reads in Joan Robinson that 'it might be argued that Marx was unconsciously assuming that increasing productivity does not affect the wage-good industries, so that constant real wages are compatible with a constant rate of exploitation.' (*Essay on Marxian Economics*, p.40.) This passage contains as many mistakes as words.

[26] *Theories* III, p.312.

ing day (with an 8-hour day); it would increase from 4 to 7½; i.e. not even double. At the same time the productivity of labour would have to grow enormously (as Marx pointed out in the *Rough Draft*)! 'The larger the surplus-value of capital *before the increase of productive force*, the larger the amount of presupposed surplus labour, or surplus-value of capital; or the smaller the fractional part of the working day which forms the equivalent of the worker, which expresses necessary labour, the smaller is the increase in surplus-value which capital obtains from the increase of productive force. Its surplus-value rises, but in an ever smaller relation to the development of the productive force. Thus the more developed capital already is . . . the more terribly must it develop the productive force in order to valorise itself, i.e. to add surplus-value to itself, even to a slight degree – because its barrier always remains the relation between the fractional part of the day which expresses *necessary labour*, and the entire working day. It can move only within these boundaries.'[27] We should not forget that the increase in productivity is not simply expressed in the decline of variable capital (the paid part of the working day) relative to constant, but also in the 'decline of the entire living labour applied to the means of production . . . in relation to the value of these means of production'. I.e. the relation (v + s) : c also falls. This is not, however, essentially a question of a change in the value composition of capital, but is rather related to the change in its technical composition, which characterises technical progress. Thus, if, given a constant capital of definite size, 20 workers were reduced to 10; and if previously the 20 workers worked 80 hours for themselves and 80 for the employer, then it would be impossible for the remaining 10 workers to perform as much surplus labour as the 20 did before, since their entire working time only amounts to 80 hours.[28]

[27] We have already cited these arguments in Chapter 16. See also *Grundrisse*, p.340.

[28] Cf. *Capital* III, p.247: 'Inasmuch as the development of the productive forces reduces the paid portion of employed labour, it raises the surplus-value, because it raises its rate; but inasmuch as it reduces the total mass of labour employed by a given capital, it reduces the factor of the number by which the rate of surplus-value is multiplied to obtain its mass. Two workers, each working 12 hours a day, cannot produce the same mass of surplus-value as 24 who only work two hours, even if they could live on air and hence did not have to work for themselves at all. In this respect, then, the compensation of the reduced number of workers by intensifying the degree of exploitation has certain insurmountable limits. It may, for this reason, well check the fall in the rate of profit, but it cannot prevent it altogether.' Joan Robinson even succeeds in misinterpreting this passage, which she quotes word

In order to maintain the level of surplus labour the working day must either be extended or the intensity of work increased. (In fact, the employer can employ more workers with an enlarged capital, and thus compensate for the fall in the rate of profit by an increase in the mass of profit. But this is quite another question.) All this was fully understood by Ricardo's 'proletarian opponents' (Marx's expression) 120 years ago, when Thomas Hodgskin and the author of the text *The Source and Remedy of the National Difficulties* (1821) derived the fall in the rate of profit from the impossibility of the unlimited extension of surplus labour (or, as they expressed it, the inability of the worker to satisfy the overwhelming demands of 'compound interest'.) Commenting on their views in the *Theories* Marx says that, in the long run, the growth of surplus labour could only compensate for the proportional decline in the labour employed if the working day were to be 'infinitely extended', or necessary labour reduced to zero,[29] both of which appear equally absurd.[30]

We thus come back to the law formulated in Volume I of *Capital*. '*The absolute limit of the average working day* – this being by nature always less than 24 hours – sets an *absolute limit to the compensation for a reduction of variable capital by a higher rate of surplus-value, or for the decrease of the number of workers exploited by a higher degree of exploitation of labour-power*.' 'This self-evident

for word in the following commentary: 'Productivity may rise without limit, and, if real wages are constant, the rate of exploitation rises with it. Marx appears to have been in some confusion upon this point, for when he begins to discuss the effect of a rise in productivity on the rate of exploitation, he switches over in the middle of the argument to discussing the effect of changing the length of the working day.' (*op. cit.* p.39.)

[29] *Theories* III, p.312.

[30] Robinson seems now to interpret the problem in this sense when she writes: 'The trouble probably arose, like most of the obscurities in Marx's argument, from his method of reckoning in terms of value. With given labour-time, of given intensity, the rate of value created is constant. Thus v + c is constant. It might seem, at the first glance, that s/v can rise only if wages fall. But this is an illusion. An increase in productivity reduces the value of commodities, and the value of labour-power, with constant real wages. Thus v falls towards zero, and s/v rises towards infinity, and all the time real wages are constant.' (*op. cit.* pp.39-40.) Admittedly, as the working day consists of two parts, necessary and surplus labour, it follows that if necessary labour constantly falls, surplus labour must rise. (Why the 'method of reckoning in values' has to be given up to understand this simple fact is impossible to fathom.) However, this tautology cannot bring about miracles; it cannot alter the fact that the increase in the extent of exploitation of labour can only make up within definite, narrow limits for the loss of actually performed surplus labour, the loss which arises through the continual reduction in the number of workers employed per unit of capital.

law', Marx adds, 'is of importance for the explanation of many phenomena, arising from a tendency of capital to reduce as much as possible the number of workers employed i.e. the amount of its variable component, the part which is changed into labour-power, which stands in contradiction with its other tendency to produce the greatest possible *mass of surplus-value*.'[31] This is clearly an allusion which prepares us for the solution of the 'riddle of the falling rate of profit' contained in Volume III of *Capital* – but once again, this was not noticed by the critics.

Von Bortkiewicz enjoys great popularity in the Anglo-American school of marxist economics (Sweezy and Meek among others), not so much because of his objections to Marx's law of the tendency of the rate of profit to fall, but rather his critique of Marx's 'transformation of values into prices of production' (*Capital* III, Chapter IX). To us this second aspect of Bortkiewicz's critique seems even less satisfactory than the first, and we regard it as a mere 'academic whim'. Bortkiewicz's supporters propose the thesis that 'Marx's method of transformation would lead to a violation of the equilibrium of simple reproduction', and is therefore 'logically unsatisfactory'.[32] However, this objection would only be valid if Marx were in fact a 'Harmonist', i.e. if his schemes of reproduction were to be interpreted in the way adopted by Tugan-Baranovsky. (It is self-evident that the transition from commodity-values to 'prices of production' would necessarily be accompanied by disturbances in the 'equilibrium of simple reproduction'; but since when has it been the task of marxists to prove that it is theoretically possible for the capitalist economy to proceed without disturbances?) There is also a second point: von Bortkiewicz's supporters overlook the fact that Marx's 'prices of production' are not in fact 'prices' at all, but simply values modified by the intervention of the average rate of profit, and so the 'price calculation' suggested by Bortkiewicz cannot make the slightest contribution towards solving the question of the actual 'transformation of values into prices'. Marx had already set out the way in which the actual transition from values to prices occur both in the *Grundrisse* and the *Critique*, and it is superfluous to look for a surrogate solution to this problem.

[31] *Capital* I, pp.419-20 (305-06). Cf. *Capital* III, p.398: 'The identity of surplus-value and surplus labour imposes a qualitative limit upon the accumulation of capital. This consists of the total working day, and the prevailing development of the productive forces and of the population, which limits the number of simultaneously exploitable working days. But if one conceives of surplus-value in the meaningless form of interest, the limit is merely quantitative and defies all imagination.'

[32] Paul Sweezy, *Theory of Capitalist Development*, pp.88-89.

PART SIX
Conclusion

28.
The Historical Limits of the Law of Value. Marx on the Subject of Socialist Society

According to Marx's original outline the last book of his work was to conclude with an examination of those moments which 'point beyond the presupposition' and 'drive towards the adoption of a new historical form'. That is, it was intended to deal with the 'dissolution of the mode of production based on exchange-value' and its transition to socialism.[1] The central focus of this was naturally the question of the destiny of the law of value, and it is to this subject that we now turn our attention.

1. Marx on the development of human individuality under capitalism

It is well known that the founders of marxism rejected all forms of 'depicting the future', inasmuch as this involved the construction of completed socialist systems, to be derived from the 'eternal principles of justice' and the 'immutable laws of human nature'. Although such systems may have been necessary and justified in those periods when they were first expounded, they developed into a hindrance to the growing workers' movement as soon as it had

[1] *Grundrisse*, pp.228, 264.

acquired a scientific basis in the materialist interpretation of history, established by Marx and Engels. This basis was far superior to the doctrines of the utopian socialists and had to pose the question of a socialist conception of the future in a radically different way. Socialism no longer appeared as a mere ideal, but as a necessary phase in the development of humanity, the real culmination of all previous history; consequently the socialist society of the future could only be spoken of inasmuch as visible seeds of this new social form could be discovered in history and its developmental tendencies. This does not of course mean that Marx and Engels had no conception of the socialist economic and social order (a view often attributed to them by opportunists), or that they simply left the entire matter to our grandchildren, as if this constituted the scientific character of their theories. On the contrary, such conceptions played a prominent role in Marx's theoretical system. This can be convincingly shown if we examine the main works of the founders of marxism. Take, for example, Marx's *Capital*, which sought both to investigate the inner structure and laws of motion of the capitalist mode of production *and* to produce the proof and necessity of the 'great change' which was to bring about the abolition of human 'self-alienation', through which humanity would become the 'real conscious rulers of nature and their own association' (Engels). We therefore constantly encounter discussions and remarks in *Capital*, and the works preparatory to it, which are concerned with the problems of a socialist society, and which make especially clear both what Marx had in common with the theories of the utopian socialists, and where he differed from them.

These discussions were a necessary product of Marx's dialectical and material method, which sought to grasp every social phenomenon in the flow of its becoming, existence and passing away. This method therefore directs our attention both to 'earlier historical modes of production'[2] and looks forward to those points 'at which the suspension of the present form of production relations gives signs of its becoming – foreshadowing the future. Just as, on the one side, the pre-bourgeois phases appear as *merely historical*, i.e. suspended presuppositions, so do the contemporary conditions of production likewise appear as engaged in *suspending themselves* and hence in positing the *historic presuppositions* for a new state of society.'[3]

Thus the dialectical-materialist study of the capitalist mode of production leads directly to counterposing this mode of production,

[2] See Note 3 on p.268 above.
[3] *Grundrisse*, p.461.

on the one hand, to pre-capitalist social formations, and on the other, to the socialist social order which replaces it. 'The *private exchange* of all products of labour, all activities and all wealth stands in antithesis not only to a distribution based on a natural or political super- and subordination of individuals to one another . . . (regardless of the character of this super- and subordination; patriarchal, ancient or feudal) but also to free exchange among individuals who are associated on the basis of common appropriation and control of the means of production.'[4] This yields a division of the whole of human history into three stages, in the form of a dialectical triad: 'Relations of personal dependence (entirely spontaneous at the outset) are the first social forms, in which human productive capacity develops only to a slight extent and at isolated points. Personal independence founded on *objective* dependencies is the second great form, in which a system of general social metabolism, of universal relations, of all-round needs and universal capacities is formed for the first time. Free individuality, based on the universal development of individuals and on their subordination of their communal, social productivity as their social wealth, is the third stage. The second stage creates the conditions for the third.'[5]

Human history is therefore seen in terms of its most basic final outcome; as a necessary process of the elaboration and development of the human personality and its freedom. However, from Marx's point of view the issue was not so much to demonstrate the necessity of this process (this was already recognised by classical German philosophy), but rather to liberate this discovery from ideological illusions and place it on the firm foundation of real history i.e. the development of the social relations of production. This task could only be accomplished with the assistance of the materialist method.

The *Rough Draft* states: 'When we look at social relations which create an undeveloped system of exchange, of exchange-values and of money [i.e. pre-capitalist relations] . . . then it is clear from the outset that the individuals in such a society, although their relations appear to be more personal, enter into connection with one another only as individuals imprisoned within a certain definition, as feudal lord and vassal, landlord and serf etc. or as members of a caste etc. or as members of an estate etc. In the money relation, in the developed system of exchange (and this semblance seduces the democrats), the ties of personal dependence, of distinctions of blood, education, etc. are in fact exploded, ripped up . . . and individuals

[4] *ibid.* p.159.
[5] *ibid.* p.158.

seem independent[6] . . . free to collide with one another and to engage in exchange within this freedom; but they appear thus only for someone who abstracts from the *conditions*, the conditions of existence within which these individuals enter into contact . . . The definedness of individuals, which in the former case appears as a personal restriction of the individual by another, appears in the latter case as developed into an objective restriction of the individual by relations independent of him and sufficient unto themselves. Since the single individual cannot strip away his personal definition, but may well overcome and master external relations, his freedom *seems* to be greater in case 2. A closer examination of these external relations, these conditions, shows, however, that it is impossible for the individuals of a class etc. to overcome them *en masse* without destroying them. A particular individual may by chance get on top of these relations, but the mass of those under their rule cannot, since their mere existence expresses subordination, the necessary subordination of the mass of individuals. These external relations are very far from being an abolition of "relations of dependence": they are rather the dissolution of these relations into a general form; they are merely the elaboration and emergence of the general *foundation* of the relations of personal dependence.'[7]

We read in a marginal note to the examination of the 'objective power of money' in the *Rough Draft*: 'It has been said and may be

[6] Marx adds: 'This is an independence which is at bottom merely an illusion, and it is more correctly called indifference.'

[7] *Grundrisse*, pp.163-64. We read further on in the text: 'These objective dependency relations also appear, in antithesis to those of personal dependence (the objective dependency relation is nothing more than social relations which have become independent and now enter into opposition to the seemingly independent individuals; i.e. the reciprocal relations of production separated from and autonomous of individuals) in such a way that individuals are now ruled by abstractions, whereas earlier they depended on one another. The abstraction, or idea, however, is nothing more than the theoretical expression of those material relations which are their lord and master. Relations can be expressed, of course, only in ideas, and thus philosophers have determined the reign of ideas to be the peculiarity of the new age, and have identified the creation of free individuality with the overthrow of this reign. This error was all the more easily committed from the ideological standpoint, as this reign exercised by the relations (this objective dependency, which incidentally, turns into definite relations of personal dependency, but stripped of all illusions) appears within the consciousness of individuals as the reign of ideas, and because the belief in the permanence of these ideas, i.e. of these objective relations of dependency, is of course consolidated, nourished and inculcated by the ruling classes by all means available.' (*ibid.* pp.164-65.) Cf. *German Ideology*, pp.49ff.

said that this is precisely the beauty and greatness of it: this spontaneous interconnection, this material and mental metabolism which is independent of the knowing and willing of individuals, and which presupposes their reciprocal independence and indifference. And certainly this objective connection is preferable to the lack of any connection, or to a merely local connection resting on blood ties, or on primeval, natural or master-servant relations. Equally certain is it that individuals cannot gain mastery over their own social interconnections before they have created them.[8] But it is an insipid notion to conceive of this merely *objective bond* as a spontaneous, natural attribute inherent in individuals and inseparable from their nature . . . This bond is their product. It is a historic product. It belongs to a specific phase of their development. The alien and independent character in which it presently exists *vis-à-vis* individuals proves only that the latter are still engaged in the creation of the conditions of their social life, and that they have not yet begun, on the basis of these conditions, to live it. It is the bond of individuals within specific and limited relations of production.' However: 'In earlier stages of development the single individual seems to be developed more fully, because he has not yet worked out his relationships in their fullness, or erected them as independent social powers and relations opposite himself. It is as ridiculous to yearn for a return to that original fullness as it is to believe that with this complete emptiness', which characterises the 'new age',[9] history has come to a standstill.[10] The bourgeois viewpoint has never advanced beyond this anti-

[8] i.e. cannot make the transition to a socialist society.

[9] Marx writes in similar vein in *Capital* on the subject of the modern machine operator: 'Even the lightening of the labour becomes an instrument of torture, since the machine does not free the worker from the work, but rather deprives the work itself of all content . . . The special skill of each individual machine operator who has now been deprived of all significance vanishes as an infinitesimal quantity in the face of the science, the gigantic natural forces, and the mass of social labour embodied in the system of machinery, which, together with those three forces, constitutes the power of the "master".' *Capital* I, pp.548-49 (423).

[10] Cf. *Contribution*, p.95: 'So little does the relation of buyer and seller represent a purely individual relationship that they enter into it only insofar as their individual labour is negated, that is to say, turned into money as non-individual labour. It is therefore as absurd to regard buyer and seller, these bourgeois economic types, as eternal social forms of human individuality, as it is preposterous to weep over them as signifying the abolition of individuality.'

It is interesting to note that a similar passage can be found in the works of the young Hegel. In his text *The German Constitution* (1798-99), which survives only as fragments, he writes on the subject of early pre-constitutional

thesis between itself and this romantic viewpoint, and therefore the latter will accompany it as legitimate antithesis up to its blessed end.'[11]

The main defect with the bourgeois concept of freedom is now clear; it is the unhistorical approach of its advocates, who regard the development of individuality, which is specific to one particular epoch and one particular mode of production, as being absolute and confuse this with the realisation of 'freedom *tout court*'. ('Just like a man who believes in a particular religion and sees it as *the* religion, and everything outside it as *false* religions.'[12]) They simply fail to grasp that bourgeois freedom – far from representing the embodiment of 'freedom in general', is rather a highly specific product of the capitalist mode of production, and consequently shares all its limitations. For human beings, having been liberated from earlier limitations, are subject to a new fetter under capitalism, namely the reified rule of their relations of production, which have grown up over them, the blind power of competition and chance.[13] In one respect they have become freer, but in another they have become less free.

This unhistorical mode of thinking is shown most clearly in the attitude of bourgeois economists (and bourgeois ideologists in general) towards capitalist competition. Marx says that although competition 'appears historically as the dissolution of compulsory guild membership, government regulation, internal tariffs and the like within a country, as the lifting of blockades, prohibitions, and protection on the world market', it has never 'been examined for this merely negative side . . . its merely historical side; . . . and this has led at the same time to the even greater absurdity of regarding it as the collision of unfettered individuals who are determined only by their own interests – as the mutual repulsion and attraction of free individuals, and hence as the absolute mode of existence of free individuality in the sphere of consumption and of exchange.'

'German freedom': 'Just as it is cowardly and effete to describe the men of that society as loathsome, wretched and stupid, and to imagine ourselves to be infinitely more human, happy and clever, so too it is childish and silly to yearn for such a society – as if it alone were natural – or to fail to recognise that a society ruled by law is necessary – and that it alone is free.' (Quoted in Lukacs, *The Young Hegel*, p.141.)

[11] *Grundrisse*, pp.161-62.

[12] *Theories* II, p.529.

[13] Cf. Marx's 'Saint Max' (Stirner): 'It has already been pointed out to him that in competition personality itself is a matter of chance, while chance is personality.' (*German Ideology*, p.421.)

'Nothing can be more mistaken,' Marx adds. For, in the first place, 'while free competition has dissolved the barriers of earlier relations and modes of production, it is necessary to observe first of all that the things which were a barrier to it were the inherent limits of the earlier mode of production, within which they spontaneously developed and moved. The limits became barriers only after the forces of production and the relations of intercourse had developed sufficiently to enable capital as such to emerge as the dominant principle of production. The limits which it tore down were barriers to its motion, its development and realisation. It is by no means the case that it thereby suspended all limits, nor all barriers, but rather only the limits not corresponding to it, which were barriers to it.[14] Within its own limits – however much they may appear as barriers from a higher standpoint . . . it feels free, and free of barriers, i.e. as limited only by itself, only by its own conditions of life. Exactly as guild industry, in its heyday, found in the guild organisation all the fullness of freedom it required i.e. the relations of production corresponding to it. After all, it posited these out of itself, and developed them as its inherent conditions, and hence in no way as external and constricting barriers. The historical side of the negation of the guild system etc. by capital through free competition signifies nothing more than that capital, having become sufficiently strong, by means of the mode of intercourse adequate to itself, tore down the historic barriers which hindered and blocked the movement adequate to it.'

Nevertheless, competition has by no means only this negative, merely historical significance; it is, in essence, the realisation of the capitalist mode of production![15] Thus, the statement that 'within free competition the individuals, in following purely their private interest, realise the communal or rather the *general*[16] interest' simply expresses an illusion. For 'it is not individuals who are set free by free competition; it is rather capital which is set free. As long as production resting on capital is the necessary, hence the fittest form for the development of the force of social production, the movement of individuals within the pure conditions of capital appears as their freedom; which is then also dogmatically propounded as such through constant reflection back on the barriers torn down by free competition.'[17] Hence 'the insipidity of the view that free competition is the ultimate development of human freedom : and that the negation of free competition = negation of individual freedom and of social production based on individual freedom. It is nothing more than free development on a limited basis – the basis of the rule of capital. This kind of individual freedom is therefore at the same time the most complete abolition of individual freedom, and the most complete subjugation of individuality under social conditions which assume the form of objective powers, even of overpowering objects. The analysis of what free competition really is, is the only rational reply to the middle-class prophets who laud it to the skies or to the socialists who damn it to hell.'[18] In fact 'the assertion that free competition = the ultimate form of the development of the forces of production and hence of human freedom means nothing other than that middle-class rule is the culmination of world history – certainly an agreeable thought for the parvenus of the day before yesterday.'[19]

It is clear that what we are reading here is simply a continuation of ideas previously encountered in the *German Ideology*; namely, that in the course of human history the development of the productive forces has created a situation in which the original, personal relations of dependence have been replaced by simple objective ones, and where the local and national social connection between people has been replaced by a universal connection. In the *German Ideology* Marx and Engels already pointed to the contradictory and two-sided character of previous social progress, which on the one hand gave rise to the creation of a social individual, more capable of development, and with abundant needs, but on the other hand produced the most extensive 'alienation' and 'emptying' of this individual. And finally we also find the argument according to which the liberation of mankind from feudal and other constraints, by capitalism, produces an apparent freedom only, and complete freedom, the 'original and free development of individuals' will only become a

[14] This instance (the mutual relation between 'limit' and 'barrier') also illustrates the use of Hegelian concepts.

[15] Cf. p.44 above.

[16] In Marx's terminology (this applies especially to the young Marx) the 'general' is no way identical to the 'communal', but rather refers to what arises from the collision of 'communal' and 'particular interests', in a society of atomised, private owners. (Cf. *German Ideology*, p.46: 'Just because individuals seek only their particular interest, which for them does not coincide with their communal interest [in fact the general is the illusory form of communal life], the latter will be imposed on them as an interest "alien" to them, and independent of them, as in its turn a particular peculiar "general interest".')

[17] Marx adds: 'By the way, when the illusion about competition as the so-called absolute form of free individuality vanishes, this is evidence that the conditions of competition, i.e. of production founded on capital, are already felt and thought of as barriers, and hence already are such, and more and more become such.'

[18] That is, the Proudhonists.

[19] *Grundrisse*, pp.649-52.

reality under communism. We read in the *German Ideology*: 'In imagination individuals seem freer under the dominance of the bourgeoisie than before, because their conditions of life seem accidental; in reality of course, they are less free, because they are more subjected to the violence of things.' And it was just 'this right to the undisturbed enjoyment, within certain conditions, of fortuity and chance [which] has up to now been called personal freedom'.[20] This conception is developed further in the *Rough Draft*; except that there the alternative, positive aspect of the contradiction – the actual progress which 'apparent bourgeois freedom' brings about – is expressed much more clearly and emphatically.

This is best seen in the remarkable passage dealing with the 'childish world of antiquity' in antithesis to the modern world of capitalism. Marx says there: 'Do we never find in antiquity an inquiry into which form of landed property etc. is the most productive, creates the greatest wealth? Wealth does not appear as the aim of production, although Cato may well investigate which manner of cultivating a field brings the greatest rewards, and Brutus may even lend out his money at the best rates of interest. The question is always which mode of property creates the *best citizens*.' The situation is completely different in the modern world. Here wealth 'appears in all forms in the shape of a thing, be it an object or be it a relation mediated through the object, which is external and accidental to the individual. Thus the old view, in which the human being appears as the aim of production, regardless of his limited national, religious, political character, seems to be very lofty when contrasted to the modern world, where production appears as the aim of mankind and wealth as the aim of production. In fact, however, when the limited bourgeois form is stripped away, what is wealth other than the universality of individual needs, capacities, pleasures, productive forces etc., created through universal exchange? The full development of human mastery over the forces of nature, those of so-called nature as well as of humanity's own nature? The absolute working-out of his creative potentialities, with no presupposition other than previous historic development, which makes this totality of development, i.e. the development of all human powers as such the end in itself, not as measured on a *predetermined* yardstick? Where he does not reproduce himself in one specificity, but produces his totality? Strives not to remain something he has become, but is in the absolute movement of becoming? In bourgeois economics – and in the epoch of production to which it

[20] *German Ideology*, pp.95, 94.

corresponds – this complete working-out of the human content appears as a complete emptying out, this universal objectification as total alienation,[21] and the tearing down of all limited, one-sided aims as sacrifice of the human end-in-itself to an entirely external end. This is why the childish world of antiquity appears on the one side as loftier. On the other side, it really is loftier in all matters where closed shapes, forms and given limits are sought for. It is satisfaction from a limited standpoint; while the modern age gives no satisfaction; or, where it appears satisfied with itself, it is *vulgar*.'[22]

The antithesis between the marxist and the Romantic critique of capitalism is expressed here with particular clarity – Marx did not just attack the Romantics because of their 'sentimental tears',[23] or because they 'waved the alms-bag of the proletariat in front for a banner', for demagogic reasons, while at the same time hiding the 'old feudal coat-of-arms' behind their backs.[24] He reproached them much more with being totally incapable of grasping the 'course of modern history', i.e. the necessity and the historical progressiveness of the bourgeois social order which they criticised, and for confining themselves instead to moralistic rejection of it.

No one would deny that the rule of capital is based on the most callous extraction of surplus labour, on the exploitation and oppression of the mass of the people. In this respect, it certainly 'surpasses all previous systems of production, which were based on directly compulsory labour, in its energy and its quality of unbounded and ruthless activity'.[25] But only capital has 'subjugated historical progress to the service of wealth';[26] it is only the capitalist form of production which 'becomes an epoch-making mode of exploitation, which, in

[21] 'What, then, constitutes the alienation of labour? First, the fact that labour is external to the worker, i.e. it does not belong to his essential being; that in his work, therefore, he does not affirm himself but denies himself, does not feel content, but unhappy, does not develop freely his physical and mental energy but mortifies his body and ruins his mind. The worker therefore only feels himself outside his work, and in his work feels outside himself. He is at home when he is not working, and when he is working he is not at home.' This state of affairs produces an inversion of all human values in capitalism. 'What is animal becomes human and what is human becomes animal. Certainly eating, drinking, procreating etc. are also genuinely human functions. But abstractly taken, separated from the sphere of other human activity and turned into sole ultimate ends, they are animal functions.' (*Economic and Philosophical Manuscripts*, pp.110-11.)

[22] *Grundrisse*, pp.487-488.

[23] *Economic and Philosophical Manuscripts*, p.100.

[24] *Communist Manifesto. Selected Works*, p.54.

[25] *Capital* I, p.425 (310).

[26] *Grundrisse*, p.590.

the course of its historical development, revolutionises, through the organisation of the labour process and the enormous improvement of techniques, the entire economic structure of society in a manner eclipsing all former epochs'.[27]

Capitalist production is therefore radically different from all previous modes of production by virtue of its universal character, and its drive to continually revolutionise the material forces of production. If pre-capitalist stages of production were never able to increase labour beyond that required for immediate subsistence, due to their primitive, undeveloped techniques, then the 'great historic aspect of *capital*' consists in the fact that it 'produces surplus labour, surplus from the standpoint of simple use-value, of mere subsistence'; and it carries out this task by developing, on the one hand, the social forces of production, and on the other, human needs and capacities for labour, to an extent that has never existed before.

A particularly striking passage from the *Rough Draft* reads as follows: 'The historic destiny of capital is fulfilled as soon as, on one side, there has been such a development of needs that surplus labour above and beyond necessity has itself become a general need arising out of individual needs themselves – and, on the other, when the severe discipline of capital acting on succeeding generations has developed general industriousness as the general property of the new species';[28] and finally, 'when the development of the productive powers of labour, which capital incessantly whips onwards with its unlimited mania for wealth, and of the sole conditions in which this mania can be realised, have flourished to the stage where the possession and preservation of general wealth require a lesser labour-time of society as a whole, and where the labouring society relates scientifically to the process of its progressive reproduction in a constantly greater abundance; hence where labour in which a human being does what a thing could do for him instead has ceased . . . Capital's ceaseless striving towards the general form of wealth drives labour beyond the limits of its natural paltriness, and thus creates the material elements for the development of the rich individuality which is as all-sided in its production as in its consumption, and whose labour also therefore appears no longer as labour, but as the full

[27] *Capital* II, p.37.

[28] We read in another passage in the *Rough Draft* that capital, 'correctly understood, appears as the condition of the development of the forces of production as long as they require an external spur, which appears at the same time as their bridle. It is a discipline over them, which becomes superfluous and burdensome at a certain level of their development, just like the guild etc.' (*Grundrisse*, p.415.)

development of activity itself,[29] in which natural necessity in its direct form has disappeared; because a historically created need has taken the place of a natural one. This is why *capital is productive*; an *essential relation for the development of the social productive forces.* It ceases to exist as such only where the development of these productive forces themselves encounters its barriers in capital itself.'[30]

In other words, whereas all previous modes of production had to be content with a situation in which the forces of production progressed only very slowly,[31] or even remained stationary over long periods, capital proceeds directly 'from the constant overthrow of its prevailing presuppositions, as the presupposition of its reproduction . . . Although limited by its very nature, it strives towards the universal development of the forces of production, and thus becomes the presupposition of a new mode of production, which is founded not on the development of the forces of production for the purpose of reproducing or at most expanding a given condition, but where the free, unobstructed, progressive and universal development of the forces of production is itself the presupposition of society and hence of its reproduction; where advance beyond the point of departure is the only presupposition.'[32] Only on this new foundation does the 'universality of the individual' become possible, 'not an ideal or imagined universality, but the universality of his real and ideal relations; hence also the grasping of his own history as a *process* and the recognition of nature (equally present as practical power over nature) as his real body.'[33]

Thus, it is the development of capitalism itself which lays the basis for the resolution of the problem of the human personality and human freedom which is posed by history. And seen from this perspective, the historic achievement of capital – which Marx himself pointed to so often and so forcefully – cannot be emphasised enough.

[29] 'Labour', says Marx, 'is free in all civilised countries; the point is not to free it, but to abolish it.' (*German Ideology*, p.224.) Cf. Marcuse, *Reason and Revolution* p.293: 'Marx envisioned the future mode of labour to be so different from the prevailing one that he hesitated to use the same term "labour" to designate alike the material process of capitalist and communist society.'

[30] *Grundrisse*, p.325.

[31] 'All previous forms of society – or, what is the same, of the forces of social production – foundered on the development of wealth. . . . The development of science alone – i.e. the most solid form of wealth both in its product and in its producer – was sufficient to dissolve these communities.' (*ibid.* pp.540-41.)

[32] *ibid.* p.540.

[33] *ibid.* p.542.

2. *The role of machinery as the material precondition of socialist society*

Marx states in the *Rough Draft*: 'If we did not find, concealed in society as it is, the material conditions of production and the corresponding relations of exchange prerequisite for a classless society, then all attempts to explode' existing society, 'would be quixotic'.[34] What are, then, the material conditions of production which render the transition to a classless society both possible and necessary?

The answer is to be found primarily in Marx's analysis of the role of machinery, which shows us, on the one hand, how the development of automatic systems of machinery debases the individual worker to the level of a partial tool, a mere moment in the labour process; but also, on the other hand, how this very same development simultaneously creates the preconditions for the reduction of the expenditure of human energy in the production process to a minimum. And further, that this process permits the replacement of the one-sided worker of today by all-round developed individuals, for whom 'the different social functions are interchangeable modes of activity'. All this can be found in both *Capital* Volume I, and the *Rough Draft*. However, the *Rough Draft* also contains discussions on machinery which are not in *Capital*, and which, despite the fact that they were written more than a hundred years ago, still generate a feeling of awe and excitement, containing as they do some of the boldest visions attained by the human imagination.

Marx writes: 'The exchange of living labour for objectified labour – i.e. the positing of social labour in the form of the contradiction of capital and wage-labour – is the ultimate development of the *value relation* and of production resting on value. Its presupposition is – and remains – the mass of direct labour-time, the quantity of labour employed, as the determinant factor in the production of wealth. But to the degree that large industry develops, the creation of real wealth comes to depend less on labour-time and on the amount of labour employed than on the power of the agencies set in motion during labour-time, whose powerful effectiveness is . . . out of all proportion to the direct labour-time spent on their production, but depends rather on the general state of science and on the progress of technology, or the application of this science to production . . . Real wealth manifests itself rather – and large industry reveals this – in the monstrous disproportion between the labour-time applied, and its product, as well as in the qualitative imbalance between labour,

[34] *ibid.* p.159.

reduced to a pure abstraction, and the power of the production process it superintends. Labour no longer appears so much to be included within the production process; rather, the human being comes more to relate as watchman and regulator to the production process itself . . . No longer does the worker insert a modified natural thing as middle link between the object and himself; rather he inserts the process of nature, transformed into an industrial process, as a means between himself and inorganic nature, mastering it. He steps to the side of the production process instead of being its chief actor. In this transformation, it is neither the direct human labour he himself performs, nor the time during which he works, but rather the appropriation of his own general productive power, his understanding of nature and his mastery over it by virtue of his presence as a social body – it is, in a word, the development of the social individual which appears as the great foundation-stone of production and of wealth. The *theft of alien labour-time, on which the present wealth is based*, appears a miserable foundation in face of this new one, created by large-scale industry itself. As soon as labour in the direct form has ceased to be the great well-spring of wealth, labour-time ceases to be its measure, and hence exchange-value [must cease to be the measure] of use-value. The *surplus labour of the mass* has ceased to be the condition for the development of general wealth, just as the *non-labour of the few*, for the development of the general powers of the human head.[35] With that, production based on exchange-value breaks down, and the direct, material production process is stripped of the form of penury and antithesis. The free development of individualities, and hence not the reduction of necessary labour-time so as to posit surplus labour, but rather the general reduction of the necessary labour of society to a minimum, which then corresponds to the artistic, scientific etc. development of the individuals in the time set free, and with the means created, for all of them.'[36]

Another section from the *Rough Draft* reads: '*The creation of a large quantity of disposable time* apart from necessary labour-time for society generally and each of its members (i.e. room for the development of the individuals' full productive forces, hence those of society also), this creation of not-labour-time appears in the stage of capital, as of all earlier ones, as not-labour-time, free time, for a few. What capital adds is that it increases the surplus labour-time of the mass by all the means of art and science, because its wealth consists directly in the appropriation of surplus labour-time; since *value*

[35] Cf. Chapter 17 above.
[36] *Grundrisse*, pp.705-06.

directly its purpose not use-value. It is thus, despite itself, instrumental in creating the means of social disposable time, in order to reduce labour-time for the whole society to a diminishing minimum, and thus to free everyone's time for their own development. But its tendency, always, on the one side, *to create disposable time, on the other to convert it into surplus labour*. If it succeeds too well at the first, then it suffers from surplus production, and then necessary labour is interrupted, because *no surplus labour can be realised by capital*.[37] The more this contradiction develops, the more does it become evident that the growth of the forces of production can no longer be bound up with the appropriation of alien labour, but that the mass of workers must themselves appropriate their own surplus labour. Once they have done so – and *disposable time* thereby ceases to have an *antithetical* existence – then on one side, necessary labour-time will be measured by the needs of the social individual, and, on the other, the development of the power of social production will grow so rapidly that, even though production is now calculated for the wealth of all, *disposable time* will grow for all. For real wealth is the developed productive power of all individuals. The measure of wealth is then not any longer, in any way, labour-time, but rather disposable time. Labour-time *as the measure of value* posits wealth itself as founded on poverty, and disposable time as existing *in and because of the antithesis to surplus labour-time*; or, the positing of an individual's entire time as labour-time, and his degradation therefore to mere worker, subsumption under labour.'[38]

This, then, is Marx's analysis of the historical changes which are brought about by machinery in the capitalist process of production. It is hardly necessary today – in the course of a new industrial revolution – to emphasise the prophetic significance of this enormously dynamic and essentially optimistic conception. For the dreams of the isolated German revolutionary in his exile in London in 1858 have now, for the first time, entered the realm of what is immediately possible. Today, for the first time in history, thanks to the developments of modern technology, the preconditions for a final and complete abolition of the 'theft of alien labour-time' actually exist; furthermore, the present period is the first in which the development

[37] Cf. *Capital* III, pp.255-56: 'Overproduction of capital is never anything more than overproduction of means of production – of means of labour and necessities of life – which may serve as capital, i.e. may serve to exploit labour at a given degree of exploitation; a fall in the intensity of exploitation below a certain point, however, calls forth disturbances, and stoppages in the capitalist production process, crises and destruction of capital.'

[38] *Grundrisse*, p.708.

of the productive forces can be carried so far forward that, in fact, in the not too distant future it will be not labour-time, but rather disposable time, by which social wealth is measured. Whereas previously all methods for increasing the productivity of human labour proved themselves in capitalist practice to be at the same time methods involving increasing degradation, subordination and depersonalisation, today technological development has reached a point where the workers can be finally liberated from the 'serpent of their agonies', from the torture of the assembly-line, from fast and monotonous, subdivided work, and instead of being the appendages of the production process become its real superintendents. There has never been a time when the conditions for a transformation to a socialist society have been so ripe; socialism has never been as indispensable or economically feasible as it is today! One is reminded of the trite bourgeois objection according to which socialism must collapse from the necessity of carrying out hard and unpleasant tasks, which everyone tries to unload onto someone else.[39] Such an objection, based on the nature of the normal bourgeois person, must appear laughable in the face of today's unprecedented development of the productive forces! Naturally, as long as water had to be carried into the house in buckets, there could have been few people who did not try to impose this drudgery on someone else; however, the construction of water-pipes made the profession of water-carrier superfluous. It is now clear that the development of technology works towards a situation where the previous crippling division of labour and its accompanying drudgery disappears, and where, in its place, labour can be posed as the free activity of mental and physical powers. To go back to a witty comparison made by Trotsky:[40] just as it would be stupid for boarders at a good hotel with a plentiful lunch to squabble over butter, bread and sugar, so, in the new society, the exploitation of person by person, the 'theft of alien labour-time' would appear senseless and economically pointless. Not until then will the construction of a really classless, really socialist society, be finally secured.

3. *The withering away of the law of value under socialism*

And then it is not work as such which will disappear, but the surplus labour of the masses in the interests of, and under the direc-

[39] Blanqui had already maliciously remarked that the objection of the bourgeois critics which runs 'Who empties the chamber pots under socialism?' is in fact reducible to the simple question 'Who will empty *my* chamber pot?'

[40] See *The Revolution Betrayed*, p.46.

tives of the few. This is because, stresses Marx, 'labour is the everlasting nature-imposed condition of human existence, and it is therefore independent of every form of that existence, or rather it is common to all forms of society in which human beings live.'[41]

'In the sweat of thy brow shalt thou labour! was Jehovah's curse on Adam. And this is labour for Adam Smith, a curse. "Tranquility" appears as the adequate state, as identical with "freedom" and "happiness". It seems quite far from Smith's mind that the individual, "in his normal state of health, strength, activity, skill, facility",[42] also needs a normal portion of work, and of the suspension of tranquillity. Certainly, labour obtains its measure from the outside, through the aim to be attained and the obstacles to be overcome in attaining it. But Smith has no inkling whatever that this overcoming of obstacles is in itself a liberating activity – and that, further, the external aims become stripped of the semblance of merely external natural urgencies, and become posited as aims which the individual himself posits – hence as self-realisation, objectification of the subject, hence real freedom, his action is, precisely, labour.[43] He is right, of course, that, in its historic forms as slave labour, serf labour, and wage-labour, labour always appears as repulsive, always as *external forced labour*; and not-labour, by contrast, as "freedom, and happiness".'

Marx continues: 'This holds doubly: for this contradictory labour;[44] and, relatedly, for labour which has yet created the subjective and objective conditions . . . in which labour becomes attractive work, the individual's self-realisation, which in no way means that it becomes mere fun, mere amusement, as Fourier, with *grisette*-like *naïveté*, conceives it. Really free working, e.g. composing is at the same time precisely the most damned seriousness, the most intense exertion.'[45] And Marx comes later to speak of Fourier's conception: 'Labour cannot become play as Fourier would like . . . Free

[41] *Capital* I, p.290 (184).

[42] Marx refers here to the following passage from Adam Smith: 'Equal quantities of labour, at all times and places, may be said to be of equal value to the labourer. In his ordinary state of health, strength and spirits; in the ordinary degree of his skill and dexterity, he must always lay down the same portion of his ease, his liberty and his happiness.' (Adam Smith, *Wealth of Nations*, New York, 1937, p.33.)

[43] Cf. *Theories* III, p.257: 'But free time, disposable time, is wealth itself, partly for the enjoyment of the product, partly for free activity which – unlike labour – is not dominated by the pressure of an extraneous purpose which must be fulfilled, and the fulfilment of which is regarded as a natural necessity or a social duty, according to one's inclination.'

[44] i.e. conditioned by a class antagonism.

[45] *Grundrisse*, p.611.

time – which is both idle time and time for higher activity – has naturally transformed its possessor into a different subject, and he then enters into the direct production process as this different subject. This process is then both discipline, as regards the human being in the process of becoming; and, at the same time, practice, experimental science, materially creative and objectifying science, as regards the human being who has become, in whose head exists the accumulated knowledge of society.'[46]

Thus productive human activity, work, will also be of decisive importance in socialist society. Of course, it will undergo dramatic qualitative and quantitative changes! It will be distinguished in qualitative terms from the capitalist form of work, the form which Smith so accurately described as a 'sacrifice of freedom and happiness' by the fact that firstly, the worker will be turned into a conscious director of the production process, whose task will be more and more confined to the simple supervision of the enormous machines and natural forces which operate in production; and secondly, through its character as directly socialised communal work, the product of which will no longer confront the worker in the form of an alien and dominating thing.[47] In this way labour, under socialism, freed from the dross of the past, will lose the repulsive character of forced labour and become 'attractive work' in the sense adopted by Fourier and Owen.[48] This total transformation of work will express itself

[46] *ibid.* p.712.

[47] We read in the *Rough Draft*: 'The emphasis comes to be placed not on the state of being objectified, but on the state of being alienated, dispossessed, sold; on the condition that the monstrous objective power which social labour itself erected opposite itself as one of its moments belongs not to the worker, but to the personified conditions of production, i.e. to capital. To the extent that, from the standpoint of capital and wage-labour, the creation of the objective body of activity happens in antithesis to the immediate labour capacity – that this process of objectification in fact appears as a process of dispossession from the standpoint of capital – to that extent, this twisting and inversion is a real, not merely supposed one existing merely in the imagination of the workers and the capitalists.' But 'the bourgeois economists are so much cooped up within the notions belonging to a specific historic stage of social development that the necessity of the objectification of the powers of social labour appears to them as inseparable from the necessity of their alienation *vis-à-vis* living labour.' (*Grundrisse*, pp.831-32.)

[48] 'It is self-evident', says Marx in the *Theories*, 'that if labour-time is reduced to a normal length and, furthermore, labour is no longer performed for someone else, but for myself, and, at the same time, the social contradictions between master and men etc. are abolished, it acquires a different, free character, it becomes real social labour, and finally the basis of disposable time – the labour of a man who has also disposable time must be of a much higher quality than that of the beast of burden.' (*Theories* III, p.257.)

quantitatively in a fundamental reduction of working-time, and a consequent creation and extension of disposable, free, time. For although even socialist society will not be able to dispense with 'surplus labour' altogether,[49] it will be in a position, thanks to the full unfolding of its productive forces, to reduce the amount of work for individual members of society to a minimum. When this has been accomplished not only will the traditional division of labour, with its separation of people into 'manual' and 'mental' workers, fall to one side, but also the difference between work time and free time will lose its present-day antithetical character, since work time and free time will begin to resemble one another, and complement each other.[50]

Of course, even though labour has been transformed and reduced to a minimum, it will have to be distributed among the various branches of production and individuals, and compared with the desired levels of production; this will require measurement by means of a unitary measure. 'On the basis of communal production, the determination of time remains, of course essential. The less time the society requires to produce wheat, cattle etc. the more time it wins for other production, material or mental. Just as in the case of an individual, the multiplicity of its development, its enjoyment and its activity depends on the economisation of time. Economy of time, to this all economy ultimately reduces itself. Society likewise has to distribute its time correctly in a purposeful way, in order to achieve a production adequate to its overall needs;[51] just as the individual has to distribute his time correctly in order to achieve knowledge in proper proportions or in order to satisfy the various demands on his

[49] It states in *Capital* I, p.667 (530): 'The abolition of the capitalist form of production would permit the reduction of the working day to the necessary labour-time. But even in that case the latter would expand to take up more of the day, and for two reasons: first, because the worker's conditions of life would improve, and his aspirations become greater, and second because a part of what is now surplus labour would then count as necessary labour, namely the labour which is necessary for the formation of a social fund for reserve and accumulation.'

[50] 'It goes without saying, by the way, that direct labour-time itself cannot remain in the abstract antithesis to free time in which it appears from the perspective of bourgeois economy.' (*Grundrisse*, p.712.)

[51] 'It is only where production is under the actual, predetermining control of society that the latter establishes a relation between the volume of social labour-time applied in producing definite articles, and the volume of the social want to be satisfied by these articles.' (*Capital* III, p.187.)

activity. Thus, economy of time,[52] along with the planned distribution of labour-time among the various branches of production, remains the first economic law on the basis of communal production. It becomes law, there, to an even higher degree. However, this is essentially different from a measurement of exchange-values (labour or products) by labour-time.'[53]

With this we come to a question which has been raised very often; that of the operation of the law of value under socialism. It is (or was then) generally known that value counted for the founders of marxism as an economic category which 'expressed the most extensive servitude of the producers to their own products' (*Anti-Dühring*). It is clear from this that they could not possibly have extended the operation of the law of value to a socialist (or a communist) society. On the contrary: any eternalisation of the concept of value was always opposed as a petit-bourgeois utopia. We read in the *Theories*: 'Where labour is communal, the relations of men in their social production do not manifest themselves as "values" of

[52] This 'economy of time' is looked at by Marx from another perspective: 'Real economy . . . consists in saving labour-time . . . but this saving identical with development of the productive forces. Hence in no way abstinence from consumption, but rather the development of power, of capabilities of production, and hence both of the capabilities as well as the means of consumption. The capability to consume is a condition of consumption, hence its primary means, and this capability is the development of an individual potential, a force of production. The saving of labour-time is equal to an increase of free time, i.e. time for the full development of the individual, which in turn reacts back upon the productive power of labour itself as itself the greatest productive power. From the standpoint of the direct production process it can be regarded as the production of fixed capital, this fixed capital being man himself.' (*Grundrisse*, pp.711-12.)

[53] *ibid.* pp.172-73. The passage in *Capital* III which is directed against Storch should be understood in just this sense: 'Secondly, after the abolition of the capitalist mode of production, but still retaining social production, the determination of value continues to prevail in the sense that the regulation of labour-time and the distribution of social labour among the various production groups, ultimately the book-keeping encompassing all this, become more essential than ever' (p.851). This, incidentally, is probably the only passage in Marx which such economists as Joan Robinson and Leontiev can legitimately call on in order to impute to him the idea of the 'law of value under socialism'. It is clearly sufficient for them that the phrase 'determination of value' occurs in the sentence. But they could, with equal justification, pick out the scattered passages where Marx, 'to talk the language of Vulgar Economy', speaks of 'capital' in the ancient world (or even under socialism) and claim that for Marx capital is not a historical, but an eternal category.

(Cf. the following passage in *Theories* III, p.257: 'Labour-time, even if exchange-value is eliminated, always remains the creative substance of wealth and the measure of the cost of its production.')

"things".'[54] 'The very necessity of first transforming individual products or activities into *exchange-value*, into *money*, proves two things: 1) That individuals now produce only for society and in society; 2) that production is not *directly* social, is not the "offspring of association", which distributes labour internally.'[55] Thus in a community-producing society 'labour is *posited* as general only through *exchange* ... the mediation' between the private labours of individuals 'takes place through the exchange of commodities, through exchange-value, and through money; all these are expressions of one and the same relation'. By contrast, under socialism, 'the labour of the individual is posited from the outset as social labour . . . He therefore has no particular product. His product is not an *exchange-value*. The product does not first have to be transposed into a particular form in order to attain a general character for the individual. Instead of a division of labour, such as is necessarily created with the exchange of exchange-values, there would take place an organisation of labour whose consequence would be the participation of the individual in communal consumption.'[56] Consequently, the measurement of labour by labour-time would only be a means for social planning[57] (regardless of how important it might otherwise appear for a socialist society) and would naturally have nothing in common with the 'famed value' (Engels) and the law of value.

From what has been said it is clear that the measurement of work by labour-time can fulfil two distinct functions in a socialist society. Firstly, in the production process itself it would serve to determine the amount of living labour required for the production of the various goods, so that labour could be used more economically; and secondly, this measurement can also be regarded as a means of distribution, by which individual producers would be allotted their shares in the social product destined for consumption.

It can, but it does not have to be regarded in this way. For whether the future socialist society resorts to this method of distribution will clearly depend on the degree of development of the social forces of production, i.e. primarily, on 'how much there is to divide

[54] *Theories* III, p.129.
[55] *Grundrisse*, p.158.
[56] *ibid.* pp.171-72.
[57] Engels comments: 'As long ago as 1844 I stated that the above-mentioned balancing of useful effect and expenditure of labour on making decisions concerning production was all that would be left, in a communist society, of the politico-economic concept of value.' (In *Outlines of a Critique of Political Economy*) 'The scientific justification for this statement, however, as can be seen, was made possible by Marx's *Capital*.' (*Anti-Dühring*, p.368.)

up'.[58] We read in *Capital*: 'The way this division is made will vary with the particular kind of social organisation of production and the corresponding level of social development attained by the producers. We shall assume, but only for the sake of a parallel with the production of commodities', adds Marx, 'that the share of each individual producer in the means of subsistence is determined by his *labour-time*'.[59]

It is clear that what Marx has in mind in this latter instance is a socialist society, 'not as it has *developed* on its own foundations, but on the contrary, just as it *emerges* from capitalist society; which is thus in every respect, economically, morally, intellectually, still stamped with the birth-marks of the old society from whose womb it emerges'. This society has indeed expropriated the capitalists and transformed the means of production into communal property, the people's property; however, it is not yet capable of realising the communist principle of distribution: 'From each according to his ability, to each according to his needs!' Its mode of distribution is therefore still dominated by '*bourgeois right*', which 'is a right of inequality, in its content, like every right'.[60] Therefore 'the individual producer receives back from society – after the deductions[61] have

[58] Cf. Engels's letter to C.Schmidt of 5 August 1890: 'There has also been a discussion in the *Volkstribüne* about the distribution of products in future society, whether this will take place according to the amount of work done or otherwise. The question has been approached very "materialistically" in opposition to certain idealistic phraseology about justice. But strangely enough it has not struck anyone that, after all, the method of distribution essentially depends on how much there is to distribute, and that this must surely change with the progress of production and social organisation, and that therefore the method of distribution will also change. But everyone who took part in the discussion described "socialist society" not as something continuously changing and advancing but as something stable and fixed once and for all, which must therefore also have a method of distribution fixed once and for all. All one can reasonably do, however, is 1) to try and discover the method of distribution to be used at the beginning, and 2) to try and find the general tendency of the further development. But about this I do not find a single word in the whole debate!' (*Selected Correspondence*, p.393.)
[59] *Capital* I, p.172 (78-79).
[60] See the significant commentaries on this in Lenin, *The State and Revolution* and Trotsky, *The Revolution Betrayed*, pp.52-54.
[61] Marx lists these deductions as: 'First, cover for replacement of the means of production used up. Secondly, additional portion for expansion of production. Thirdly, reserve or insurance funds to provide against accidents, dislocations caused by natural calamities etc.' Only the remainder of the product therefore is 'intended to serve as means of consumption'. But 'before this is divided among the individuals, there has to be deducted from it: First, the general costs of administration not belonging to production . . . Second,

been made – exactly what he gives to it. What he has given to it is his individual quantum of labour . . . He receives a certificate from society that he has furnished so much labour . . . and with this certificate he draws from the social stock of means of consumption as much as costs the same amount of labour.'[62] In other words, he receives mere certificates of labour the sole purpose of which is to regulate social distribution according to the labour principle. However, there is no room for a law of value in such a society because the form of production which exists here is completely different from commodity production and because the regulation of production and distribution is not left to the blind play of the market, but is subject to the conscious control of society.

It would of course be tempting to go into the question of the operation of the law of value in the Soviet Union and the so-called People's Democracies in this connection. However, this subject goes beyond the framework of our immediate task. In addition we do not think that we could say anything on this question which could measure up to the clarity and depth of the work of E. Preobrazhensky,[63] the most famous economist of the Russian revolution. The main line of his argument consists in the view that any anti-capitalist transformation in an industrially backward country must take place under the conditions of a continuous struggle between the law of value, inherited from the capitalist past, and the diametrically opposed principle of socialist planning; and that the destiny of socialism depends on the outcome of this struggle. And if today numerous economists in the Soviet bloc elevate the law of value to the ranks of a socialist principle of distribution, this shows not only the extent of the theoretical gulf between them and Preobrazhensky and his contemporaries but also how far social and economic relations in the Soviet Union have become separated from the original aims of the October Revolution of 1917.

Let us summarise : the chief distinction between Marx's conception of socialism and that of his predecessors is its scientific character, the fact that he uses the scientific understanding of the present social

that which is intended for the common satisfaction of needs, such as schools, health services etc. Third, funds for those unable to work . . . Only now do we come to the "distribution" . . . namely to that part of the means of consumption which is divided among the individual producers of the co-operative society.' (*Critique of the Gotha Programme. Selected Works*, pp.318-19.) See also *Capital* III, 847-49, 875-76, 877-79.

[62] *Selected Works*, p.319.

[63] See *The New Economics*, Moscow, 1926. English translation : Oxford, 1965.

order as the basis for deriving the future socialist vision through an analysis of the capitalist relations of production. The object of the investigation is the same in both instances; namely, modern capitalist society, except that in the one case the concern is with its present-day form, and in the other, with the society of the future which grows out of it. We can therefore see that the economic interrelations studied by Marx must be understood largely as dialectical laws of development. (In fact they can *only* be grasped as such.) This reveals the real meaning of the much discussed 'historicism' of Marx's critique; it is a method which seeks to examine both the conditions of existence and the historical barriers of capitalism.[64] The socialist consequences[65] which follow from this method, and which are aimed at the overthrow of capitalism, are therefore just as fundamental to Marx's system as a whole as his actual study and critique of the economic categories in themselves.

[64] We directed most of our attention to the *Rough Draft*. This explains why we only occasionally mentioned the numerous statements and arguments about communist society in *Capital*, *Theories* and *Anti-Dühring*.

[65] 'But within bourgeois society, the society that rests on exchange-value, there arise relations of circulation as well as of production which are so many mines to explode it. A mass of antithetical forms of the social unity, whose antithetical character can never be abolished through quiet metamorphosis.' Consequently the enormous significance of proletarian class struggle and the ideological processes which underlie it: 'The recognition of the products as its own, and the judgement that its separation from the conditions of its realisation is improper – forcibly imposed – is an enormous advance in awareness . . . and as much the knell to its doom as, with the slave's awareness that he cannot be the property of another, with his consciousness of himself as a person, the existence of slavery becomes a merely artificial, vegetative existence, and ceases to be able to prevail as the basis of production.' (*Grundrisse*, pp.157, 463.)

29.

The Reification of the Economic Categories and the 'True Conception of the Process of Social Production'

Marx says: 'As the system of bourgeois economy has developed for us only by degrees, so too its negation, which is its ultimate result.'[1] But this has certainly proved to be a long, hard and difficult journey! It has not only involved the examination and presentation of the development of capital in its concrete shape, but also the step-by-step deciphering of the mystified forms in which capital appears, and the uncovering of their real content. Regarded in this way, the system of bourgeois economics at the same time represents the history of human 'self-alienation', in the study of which we not only have to reveal the alienated character of the economic categories, but also grasp that the 'inversion of subject and object',[2] which is unique to the capitalist mode of production is both necessary and a product of real causes. This is the problem which the young Marx set himself in the *Economic and Philosophical Manuscripts of 1844*, but which was not to find its solution until the completion of *Capital*.

However, this task could not have been accomplished without the basic preliminary work of the great Classical economists – and Marx himself was the first to recognise this fact. We read in the *Theories*: 'Like all economists worth naming . . . Ricardo emphasises . . . labour as human activity, even more, as *socially determined* human activity . . . it is precisely through the consistency with which he treats the value of commodities as merely "representing" socially determined labour, that Ricardo differs from the other economists.' However, all the Classical economists 'understand more or less clearly (but Ricardo more clearly than the others) that the exchange-value of *things* is a mere expression, a specific social form, of the productive activity of men, something entirely different from things and their use as things, whether in industrial or in non-industrial consumption. For them value is, in fact, a simply and objectively expressed

[1] *Grundrisse*, p.712.
[2] *Capital* III, p.45.

relation of the productive activity of man, of the different types of labour to one another.'[3]

And this is emphasised even more decisively in the section of the *Theories* devoted to Richard Jones: It states there: 'Even in Ricardo's works' the theoretical analysis 'goes so far that . . . the *independent material form of wealth disappears* and wealth is shown to be simply the activity of men. Everything which is not the result of human activity, of labour, is nature and, as such, is not social wealth. The phantom of the world of goods fades away and it is seen to be simply a continually disappearing and continually reproduced objectivisation of human labour. All solid material wealth is only transitory materialisation of social labour, crystallisation of the production process whose measure is time, the measure of a movement itself.' With Ricardo, however, even 'the manifold forms in which the various component parts of wealth are distributed amongst different sections of society lose their apparent independence. Interest is merely a part of profit, rent is merely surplus profit. Both are consequently merged in profit, which itself can be reduced to *surplus-value*, that is, to unpaid labour.'[4]

However the reification of the social relations of production reaches its high point in the economic 'Trinity': 'Capital – profit, land – rent, labour – wages', where the capitalist mode of production appears as an, 'enchanted, perverted topsy-turvy world, in which Monsieur le Capital and Madame la Terre do their ghost-walking as social characters and at the same time directly as mere things.'[5] To this extent the classical economists, especially Ricardo, provided a great service, 'in destroying this false appearance and illusion, this mutual independence and ossification of the various social elements of wealth, this personification of things and reification of production relations, this religion of everyday life'.[6]

[3] *Theories* III, p.181.
[4] *ibid.* p.429.
[5] Cf. p.28ff above.
[6] Cf. Marx's assessment of the writing of Ricardo's 'proletarian opponent', Thomas Hodgskin: 'The whole objective world, the "world of commodities", vanishes here as a mere moment, as the merely passing activity, constantly performed anew, of socially producing human beings. Compare this "idealism" with the crude, material fetishism into which the Ricardian theory develops in the writing of . . . McCulloch, where not only the difference between man and animal disappears but even the difference between a living organism and an inanimate object. And then let them say that as against the lofty idealism of bourgeois political economy, the proletarian opposition has been preaching a crude materialism directed exclusively towards the satisfaction of coarse appetites.' (*Theories* III, p.267.)

At the same time Marx stresses that even the best of the classical economists, 'remain more or less in the grip of the world of illusion which their criticism had dissolved, as cannot be otherwise from a bourgeois standpoint, and thus they all fall more or less into inconsistencies, half-truths and unsolved contradictions'.[7] And we would add to this that all these economists lack a clear awareness that in general economics deals with reified categories, and that the inverted way in which the social relationships are presented in capitalist production arises necessarily from the essence of this production. However, if they had possessed this awareness they would not have conducted 'political economy' as such, but rather, as Marx did, a 'Critique of Political Economy' – that is, they would have accomplished something which could only be accomplished from the standpoint of the socialist proletariat.

In other words, Marx was the first to succeed in finally overcoming the forms of thinking of bourgeois economics: and it is due to him that we possess the proof that the more the capitalist mode of production develops, the more the social relations of production confront mankind as external, dominating and alien powers.

This process of alienation corresponds to the progressive reification of the economic categories. Marx says this in one of the sections of Volume III of *Capital*[8] dealing with the 'alienation of surplus-value': 'We have already pointed out the mystifying character that transforms the social relations, for which the material elements of wealth serve as bearers in production, into properties of these things themselves (commodities) and still more pronouncedly transforms the production relation itself into a thing (money). All forms of society, insofar as they reach the stage of commodity production, take part in this perversion.'[9] (It is therefore no accident that the famous chapter dealing with the 'fetishism of commodities' is to be found in the section dealing with commodity circulation in Volume I.)

Of course, this process of reification goes 'further still' in the

[7] *Capital* III, p.830.

[8] *Capital* III, pp.826-32. Cf. the corresponding passage in *Theories* III, pp.482-88.

[9] Cf. *Capital* III, p. 831: 'In preceding forms of society this economic mystification arose principally with respect to money and interest-bearing capital. In the nature of things it is excluded, in the first place, where production for use-value, for immediate personal requirements, predominates; and secondly, where slavery or serfdom form the broad foundation of social production, as in antiquity and during the Middle Ages. Here the domination of the producers by the conditions of production is concealed by the relations of domination and servitude, which appear and are evident as the direct motive power of the process of production.

profit is not pocketed by the farmer, and the capital he employs does not differ in any way as capital from other capitals' (it is precisely because surplus profit is not derived from capital as such that the farmer pays it to the landlord), the land itself, 'appears to be the source of this part of the value of the commodity (its surplus-value) . . . In this formula, in which rent, a part of surplus-value, *is represented in relation to a particular natural element, independent of human labour*, not only the nature of surplus-value is completely obliterated, because the nature of value itself is obliterated; but, just as the source of rent appears to be land, so now *profit* itself appears to be due to *capital as a particular material element of production.* Land is part of nature, and brings in rent. Capital consists of products and these bring in profit. The fact that one use-value which is produced brings in profit, while another which is not produced brings in rent, are simply two forms in which things *produce value*, and the one form is just as comprehensible and as incomprehensible as the other.'[15]

However: It is only 'the division of profit into profit of enterprise and interest (not to mention the intervention of commercial profit and profit from money-dealing, which are founded upon circulation and appear to arise completely from it, and not from the process of production itself), [which] consummates the individualisation of the form of surplus-value, the ossification of its form as opposed to its substance, its essence. One portion of profit [business profit] . . . separates itself entirely from the relationship of capital as such and appears as arising not out of the function of exploiting wage-labour, but out of the wage-labour of the capitalist himself.[16] In contrast thereto, interest then seems to be independent both of the worker's wage-labour and the capitalist's own labour, and to arise from capital as its own independent source.'[17] Consequently the fetish of capital appears in its most complete, and at the same time 'most insane' form in interest-bearing capital.[18] This sketch on the 'alienation of surplus-value', which we have quoted in detail, does not merely offer an excellent summary of the content of all three volumes of *Capital*. More than this, it shows what the essential result of Marx's *Critique of Political Economy* consists in: namely, in the

[15] *Theories* III, pp.483-85.

[16] 'The labour of exploiting is identified here with the labour which is exploited.' (*ibid.* p.495.) Besides, in most instances the 'labour of exploiting' is not carried out by the capitalist himself, but by his manager.

[17] *Capital* III, p.829.

[18] *ibid.* p.465.

proof that economics, '*is not concerned with things, but with relations between people, and in the last instance between classes*'; but these relations 'are always *bound to things* and *appear as things*' (Engels). The epoch-making significance of this discovery is immediately apparent. Only in this way could Marx posit in the place of the reified categories of bourgeois economy, a 'true conception of the process of social production'[19] – in the sense meant in Galiani's fine expression: 'The real wealth is man . . . himself.'[20] Only in this way could the science of political economy be turned into a social science. As already stated in the *Rough Draft*: 'When we consider bourgeois society in the long view and as a whole, then the final result of the process of social production always appears as the society itself, i.e. the human being itself in its social relations. Everything that has a fixed form, such as the product etc., appears as merely a moment, a vanishing moment, in this movement. The direct production process itself here appears only as a moment. The conditions and objectifications of the process are themselves equally moments of it, and its only subjects are the individuals, but individuals in mutual relationships, which they equally reproduce and produce anew. [It is] the constant process of their own movement in which they renew themselves even as they renew the world of wealth they create.'[21]

[19] *Grundrisse*, p.711.
[20] See *ibid.* p.846 and *Theories* III, p.267.
[21] *Grundrisse*, p.712.

PART SEVEN
Critical Excursus

30.
The Dispute Surrounding Marx's Schemes of Reproduction

The main aim of this work has been of a methodological nature. We set out from the position that previous research was excessively concerned with the material content of Marx's economic work, and exhibited far too little interest in his specific method of investigation.* We therefore tried to show how much the *Rough Draft* has to teach on the subject of methodology. But if this is true then the methodological insights which can be gained from a study of this work should also throw a new light on certain of the old disputes in marxist economics – in particular, the much-discussed question of the schemes of reproduction in Volume II of *Capital*, and the so-called problem of realisation.

I. INTRODUCTION

1. A note on the formal aspect of the schemes of reproduction in Volume II

In order to facilitate the following representation of this question we want, to begin with, to deal briefly with the form – that is the

* This characterised the method of study of the bourgeois economists, who were reproached by Marx for their 'crude concentration on the material'

numerical form – of the schemes of reproduction in Volume II.

In his presentation of the conditions for the reproduction of the total social capital Marx divided social production into two large Departments, of which Department I produces means of production, and Department II articles of consumption. The value of the product in each Department is divided into c + v + s; that is, the constant capital used in one phase of production, the variable capital expended in wages, and finally the surplus-value created in this phase of production. He then examines to what extent the value components of the product of each of the Departments must be mutually exchanged, so that the next phase can take place.

The first question is that of the conditions which make simple reproduction possible (i.e. reproduction on a constant scale). Marx drew up the following scheme to illustrate this :

$$\begin{array}{lrcrcrcl} \text{I} & 4000c & + & 1000v & + & 1000s & = & 6000 \\ \text{II} & 2000c & + & 500v & + & 500s & = & 3000 \end{array}$$

Since under the conditions of simple reproduction, Department I requires exactly as much constant capital as it used in the preceding period of production, i.e. 4000c, it can cover these 4000 units by means of its own production, without having to resort to exchange with Department II.

Similarly, Department II, whose products consist of consumer articles, can directly use 500v and 500s, which it employs for the personal consumption of the workers and capitalists, without exchange with Department I. However, what does have to be exchanged between both Departments is that part of the product of Department II whose value corresponds to its constant capital, and that part of the product of Department I which is equal to its variable capital and its surplus-value. Hence the general formula for equilibrium in the simple reproduction of social capital is clearly :

$$c\,\text{II} = v\,\text{I} + s\,\text{I},$$

i.e. the constant capital used by Department II must be the same size as the variable capital plus the surplus-value in Department I.

Nevertheless, the above formula cannot be applied to conditions of extended reproduction, i.e. it cannot be applied when a part of the

and their lack of interest 'in understanding the distinctions of form of the economic relations'.

surplus-value accumulates, and instead of being consumed by the capitalists is added to the constant and variable capital of each Department. We can adopt Bukharin's method of denoting that portion of surplus-value to be consumed by the symbol α, the portion of surplus-value to be added to constant capital in the succeeding production period by βc, and the portion to be added to variable capital by βv; in this case the previous formula for equilibrium must be altered as follows in order to correspond to the conditions of extended reproduction.

$$c\,II + \beta\,c\,II = v\,I + \alpha\,I + \beta\,v\,I,$$[1]

This is in fact the general formula which forms the basis of Marx's scheme of reproduction in Chapter XXI of Volume II of *Capital*.

We find two schemes in this chapter which, according to Marx, were meant to illustrate the process of accumulation at two different stages of capitalist development.[2] The first is as follows (after rounding off Marx's fractions, and expressing it in Bukharin's notation):

		c		v		s				
						α		βc		βv
Year 1	I	4000	+	1000	+	500	+	400	+	100
	II	1500	+	750	+	600	+	100	+	50
Year 2	I	4400	+	1100	+	550	+	440	+	110
	II	1600	+	800	+	560	+	160	+	80
Year 3	I	4840	+	1210	+	605	+	484	+	121
	II	1760	+	880	+	616	+	176	+	88
Year 4	I	5324	+	1331	+	666	+	532	+	133
	II	1936	+	968	+	677	+	194	+	97

and so on. The second scheme, which corresponds to a more advanced stage of capitalist development, proceeds under the assumption of a higher organic composition of capital. Moreover, in contrast to the first scheme, the composition of capital is the same in both Departments (namely 5c : 1v). In the second scheme reproduction takes place as follows:

[1] This formula can be found in Bukharin's *Imperialism and the Accumulation of Capital*, p.158.

[2] *Capital* II, p.514.

	c		v		s				
					α		βc		βv
Year 1	5000	+	1000	+	500	+	417	+	83
	1430	+	285	+	101	+	153	+	31
Year 2	5417	+	1083	+	542	+	452	+	90
	1583	+	316	+	158	+	132	+	26
Year 3	5869	+	1173	+	587	+	489	+	98
	1715	+	342	+	171	+	143	+	28
Year 4	6358	+	1271	+	636	+	530	+	106
	1858	+	370	+	185	+	155	+	30

and so forth.

Both schemes were sharply criticised by Rosa Luxemburg. She maintained against the first that Marx could only obtain the 'precise logical rules which specify the relations of accumulation in Department I' at the cost of 'any kind of principle in the construction of these relations in Department II', by allowing this Department to accumulate and consume without any 'visible rule' and merely in 'an erratic fashion'.[3] Luxemburg does concede that accumulation in the second scheme proceeds in an orderly way in both Departments, so that such 'arbitrary changes in the distribution of surplus-value in II' no longer occur there. However, she thought it was possible to maintain that even in this instance, 'accumulation in Department II is completely determined and dominated by accumulation in Department I . . . that Department I has taken the initiative and actively carries out the whole process of accumulation while Department II is merely a passive appendage.'[4]

As far as the second objection is concerned (the validity of which, strangely, has never been challenged by the marxist camp), this has been convincingly refuted by Joan Robinson, who proved that the 'arithmetic is perfectly neutral between the two Departments', and that the impulse to accumulation could come equally well from either Department.[5]

However, accumulation in Marx's first diagram is by no means as 'variable' and 'erratic' as it seemed to Luxemburg, and as has generally been thought up to now. Because, if the first year is disregarded, it can be seen that in this scheme Department I constantly

[3] Luxemburg, *The Accumulation of Capital*, p.122.

[4] *ibid.* p.127.

[5] Joan Robinson's introduction to the English edition of *The Accumulation of Capital*, p.19.

accumulates 50% of the surplus-value and Department II 30%. This is, of course, no accident, but rather the necessary result of the difference in the organic composition of capital in each of the Departments. It can be algebraically shown[6] that – if the rate of surplus-value is the same in both Departments and does not change in the course of reproduction – the formula for equilibrium

$$c\,II + \beta c\,II = v\,I + \alpha\,I + \beta\,v\,I$$

requires a strict correlation between the rate of accumulation and the organic composition of capital in each Department. If we assume, with Marx, that the organic composition of capital and the rate of accumulation remain the same in succeeding periods of production, then the rates of accumulation in both Departments must move in inverse proportion to the rates of organic composition, or, expressed in an equation :

$$\frac{\beta\,I}{s\,I} : \frac{\beta\,II}{s\,II} = \frac{v\,II}{c\,II + v\,II} : \frac{v\,I}{c\,I + v\,I}$$

Thus in Marx's first diagram the relation between the rates of accumulation in both departments was 50% (Department I) : 30% (Department II). The relation of v : c was $\frac{1}{3}$ in Department II and $\frac{1}{5}$ in Department I. Since $5 : 3 = \frac{1}{3} : \frac{1}{5}$, the required conditions for equilibrium of reproduction are given.

However, this is enough on Rosa Luxemburg's 'mathematical' error. She was probably distracted by the form of Marx's numerical example, which in fact does appear to be rather difficult and confusing. The confusing aspect consists in the fact that in both schemes accumulation in the initial year does not follow the rule which guides accumulation in the succeeding years. We can only guess at why Marx chose this form of presentation; perhaps it was simply a question of a preliminary attempt, which he found no time to correct.

Strangely enough, the cumbersome form of Marx's diagrams also misled Luxemburg's most severe critic, Bukharin. As already mentioned, it was Bukharin who first formulated the general relation of equilibrium for extended reproduction $c\,II + \beta\,c\,II = v\,I + \alpha\,I + \beta\,v\,I$. However, he derived two other, totally incorrect formulae from

[6] I have to thank my friend, the statistician H. Chester of Detroit, for the mathematical proof of this relation.

this one, namely : $c\,II = v\,I + \alpha\,I$, and $\beta\,v\,I = \beta\,c\,II$.[7] It is in fact correct that in the *initial year* of Marx's first scheme $c\,II = v\,I + \alpha\,I$ and also $\beta\,v\,I = \beta\,c\,II$. However, this is only the case because Marx was not able to ascertain directly the correct proportion between c I and c II. In all the succeeding years of the first scheme, and in all the years of the second, c II is necessarily smaller than $v\,I + \alpha\,I$, and $\beta\,c\,II$ greater than $\beta\,v\,I$. In other words, Bukharin completely forgot that the extended reproduction of the total social capital must not only lead to the growth of c and v but also to that of α, i.e. to the growth of the individual consumption of the capitalists. Nevertheless, this elementary mistake remained unobserved for almost two decades[8] and Bukharin was generally regarded as the most authoritative defender of marxist 'orthodoxy' against Rosa Luxemburg's attacks 'on those parts of Marx's analysis, in which the incomparable master has handed down to us the completed product of his genius'.[9] Nevertheless, Bukharin's general formula for equilibrium is very useful, although he too (like most critics of Rosa Luxemburg) mistook the mere formulation of the problem for its solution.

2. *The 'approximation to reality' of Marx's schemes of reproduction*

This is sufficient on the form of Marx's schemes of reproduction. When we come to examine their content we must first be clear on the question as to whether and to what extent Marx wanted to use these schemes to describe processes taking place in the real world of capitalism.

Curiously, only very few marxists have tried to deal with this question. If, for example, one follows the discussions on the schemes of reproduction which revolved around Luxemburg's book then one immediately comes across a strange paradox. The Austro-marxists, the opponents of Luxemburg (i.e. Kautsky, Bauer, Eckstein,

[7] Bukharin, *op. cit.* p.158.

[8] It was first noted by Sweezy in his *Theory of Capitalist Development*, 1942, p.164.

[9] Bukharin, *op. cit.* The present-day reader may find aggressive and often frivolous Bukharin's tone somewhat unpleasant, when one remembers that Rosa Luxemburg had fallen victim to fascist murderers only a few years previously. That his tone was dictated more by political than scientific interests provides some explanation. Bukharin saw his task as that of breaking the still very strong influence of 'Luxemburgism' within the German Communist Party (KPD), and any means seemed justified.

Hilferding and others), knew, of course, only too well that Marx's schemes were conceived at the highest level of abstraction and therefore ignored many key features of capitalist reality – such as the existence of non-capitalist classes, and areas of the world, external trade, the average rate of profit, prices of production which diverge from values, etc . . . Yet despite this, all these authors looked for concrete proof of the unlimited economic viability of the capitalist form of economy in these very same schemes!

Let us begin with the founder of the Austro-marxist school, Karl Kautsky. In his magnum opus he strongly criticises Rosa Luxemburg's 'hypothesis' that capitalism must break down for economic reasons; he asserts that Luxemburg 'finds herself in opposition to Marx, who proved the opposite in the second volume of *Capital*, i.e. in the schemes of reproduction'.[10]

Kautsky did not in fact come to this conclusion until after the First World War. However, members of his school proposed similar views much earlier. As we shall see, Rudolf Hilferding's interpretation of Marx's schemes in 1909 (in *Finanzkapital*) amounted to saying that according to these schemes, capitalist production – given the correct proportions between the individual branches of production – 'could be extended indefinitely . . . without leading to an overproduction of commodities'.[11] And at the Vienna Conference of the *Verein für Sozialpolitik* in 1926, Hilferding reminded his academic audience that he had always been an opponent of the 'breakdown theory'. He declared, 'I consider that on this point I find myself in complete agreement with the theories of Karl Marx, to whom a breakdown theory is always falsely attributed. The second volume of *Capital* shows how production is possible on an ever-extended scale inside the capitalist system.' He then added jokingly: 'I've often thought that it is not at all so bad that this second volume is so little read, since, under certain conditions, it could be interpreted as a hymn of praise to capitalism.'[12]

We can see that Hilferding, too, wishes to derive a direct refutation of the 'breakdown theory' from the reproduction schemes in Volume II; he too confuses a numerical illustration with a theoretical proof, and on top of that he confuses the sphere of the 'abstract' with that of the 'concrete'! Otto Bauer proceeds in much the same way.

[10] Karl Kautsky, *Die Materialistische Geschichtsauffassung* Vol.II, pp.546-47.

[11] Cf. p.483ff of this chapter.

[12] Taken from Grossmann's *Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, pp.57-58.

Although he concedes to Luxemburg that 'the figures which Marx uses in Volume II of *Capital* for the presentation of the reproduction process . . . are arbitrarily chosen and not free from contradictions' he goes on to say: 'However, the fact that Marx's presentation is open to objection does not mean that this line of reasoning is in itself false.' With this in mind Bauer drafted his own 'non-arbitrary' scheme of reproduction, and continued to assert that the figures which he constructed 'demonstrate' or 'prove' his interpretation of Marx's theory of reproduction, interpreted as meaning the capacity of the capitalist mode of production to extend itself without limit.[13]

The weakest of Luxemburg's critics, Eckstein, even manages to lump together two perspectives – the purely theoretical and the empirical – in one and the same sentence. Thus we read at the beginning of his discussion: 'If one wishes to study the problem of crises,[14] one must above all pose the question of how the reality of capitalist accumulation relates to Marx's schemes for equilibrium, which only demonstrate the *possibility* of equilibrium.' But following this, on the next page, he writes: 'Marx's schemes show how capitalist production must proceed if it is to remain in equilibrium – they show, in actual fact, the size of the social requirement for the various types of product.' And on the following page to this: 'The capitalist mode of production is guided by the search for profit. The question is, then, whether Marx's schemes show how this profit is realised for the capitalists. This is the case throughout . . . The schemes show exactly who buys the products.'[15]

The foregoing examples are sufficient to illustrate our point. They show just how right Henryk Grossmann was when he wrote: 'The neo-Harmonists glorify the schemes for equilibrium, not because they are a particularly excellent methodological tool of analysis, but rather because they [i.e. the neo-Harmonists] – in confusing the method of analysis with the phenomena to be analysed – considered themselves to have found within the schemes a real tendency to equilibrium in capitalism.'[16]

How can we explain this mistake on the part of the Austro-marxists? How could they be guilty of such an elementary error?

It would be too easy to say that the 'wish was father to the

[13] See Otto Bauer, '*Die Akkumulation des Kapitals*', in *Die Neue Zeit*, 1913, pp.836, 866.

[14] As we can see, Eckstein confused the problem of the reproduction of social capital with that of crises.

[15] This is discussed in Eckstein's review, printed in the 'Appendix' to Luxemburg's book in the 1923 German edition, pp.487, 488, 489.

[16] Grossmann, *op. cit.* p.95.

thought', and that the Austro-marxists, who were totally immersed in reformist practice, instinctively resisted the idea of an economic breakdown of the prevailing social order (in the same way that they could not grasp the historical necessity of the breakdown of the Austro-Hungarian Empire and the defeat of the Central Powers). This unconscious motive certainly played a prominent role. We believe, however, that their error must also be attributed to a lack of understanding of Marx's economic methodology.

If this methodology is regarded as a positivist science (i.e. if it is divested of its dialectical character), then it is clearly difficult to distinguish Marx's economic method from the conceptual procedure of 'academic theory', which first of all eliminates individual and particular features of economic phenomena (method of 'abstraction') in order to re-introduce these same features in successive stages (method of 'successive concretisation' or 'approximation'). However, since these individual and particular features are only eliminated and re-introduced 'externally', i.e. without any kind of dialectical mediation, the illusion can easily arise that there is no qualitative 'bridge' between the 'abstract' and the 'concrete'.[17] One could well adopt the view that the theoretical model in fact contains all the essential elements of the concrete object of study (although in simplified form) – in much the same way as an aerial photograph shows all the fundamental elements of scenery, although only ranges of mountains, large rivers and forests etc. are visible on it. If the reciprocal relation between 'abstract' and 'concrete' is understood in this way, then the necessary 'contradiction between the general law and further developments in the concrete circumstances'[18] must be overlooked; one falls into the illusion that the abstract picture simply reflects the concrete circumstances, without any form of 'mediation'. And in our opinion this was precisely the methodological source of the error made by Luxemburg's Austro-marxist critics. Namely, they forgot that the abstract formulae in Volume II of *Capital* simply represent 'one stage of the analysis',[19] cannot therefore be directly applied to concrete capitalist reality, and first require numerous 'intermediary links'. In other words: The Austro-marxists mistakenly compounded

[17] 'The procedure of common-sense finite cognition here is that it takes up again equally externally from the concrete that which it had left out in the abstractive creation of this universal. The absolute [dialectical] method on the other hand does not hold the position of external reflection; it draws the determinate element directly from its object itself, since it is the object's immanent principle and soul.' (Hegel, *Science of Logic* Vol.II, p.472.)

[18] *Theories* III, p.87.

[19] Cf. Trotsky's view, cited on p.428 above.

two different phases of Marx's analysis, and inevitably ended up on the wrong track. Their disregard of Marx's dialectics thus took its eventual revenge on them!

3. *The basic presupposition of Marx's schemes of reproduction*

We have already pointed out in Chapter 3 that the category of use-value also enters into the social relations of reproduction. Marx says on this, right at the beginning of his analysis of the reproduction process in Volume II: 'So long as we looked upon the production of commodities and the value of the product of capital individually, the bodily form of the commodities produced was wholly immaterial for the analysis, whether it was machines, for instance, corn or looking-glasses. It was always but a matter of illustration, and any branch of production could have served that purpose equally well . . . So far as the reproduction of capital was concerned, it was sufficient to assume that that portion of the product in commodities which represents capital-value finds an opportunity in the sphere of circulation to reconvert itself into its elements of production and thus into its form of productive capital; just as it sufficed to assume that both the worker and the capitalist find in the market those commodities on which they spend their wages and the surplus-value.' However: 'This merely formal manner of presentation is no longer adequate in the study of the total social capital and of the value of its products. The reconversion of one portion of the value of the product into capital and the passing of another portion into the individual consumption of the capitalist as well as the working class form a movement within the value of the product itself in which the result of the aggregate capital finds expression; and this movement is not only a replacement of value, but also a replacement in material and is therefore as much bound up with the relative proportions of the value-components of the total social product as with their use-value, their material shape.'[20]

Our reason for quoting this passage at such length, although it was not developed any further in the final version of Volume II, is that we consider that it provides a guide to a better understanding of Marx's schemes of reproduction.[21] What Marx had in mind here was evidently the antithesis between use-value and exchange-value,

[20] *Capital* II, p.398.

[21] A section from 'Manuscript VIII' follows this section from 'Manuscript II' in the text of Volume II which was edited by Engels.

which we have often mentioned in the course of this work, which we have already encountered in the analysis of value and money, and which in fact penetrates the entire system of bourgeois economics. Admittedly, Marx's examination of the process of production and circulation of individual capital could give rise to the impression that the sole objective of capitalist production is the creation of value and surplus-value. Now however, in the study of the reproduction of social capital, it turns out that this creation of value and surplus-value collides with a barrier which was not taken into consideration in the foregoing analysis – the barrier of 'use-value on a social scale'.[22] In order to reproduce its capital, the 'society', i.e. the 'total capitalist', must not only have a fund of values at its disposal, but also find these values available in a particular useful form – in the form of machines, raw materials, means of subsistence – and all this in the proportions determined by the technical requirements of production. Thus the creation of value and surplus-value is already technically bound up with the 'social change of matter' (*Stoffwechsel*), even disregarding the necessity of disposing of the commodities produced, that is finding buyers for them.

But does this actually mean that in the final analysis the capitalist economic order does after all have as its aim the satisfaction of society's production and consumption requirements? Not at all. The most conspicuous feature of this economic order is, and remains, its insatiable urge for constantly growing profits. Consequently, only those 'goods' are produced as are at the same time values; and so material human needs are only satisfied to the extent that satisfying them appears indispensable for increasing surplus-value. Thus, for example, the creators of all social wealth, the workers, have large (and fortunately constantly growing) needs; however, they can only satisfy these needs if their labour-power is a saleable commodity on the market, and it can only be sold if it proves itself to be capable of creating surplus-value. The same applies to the so-called 'objective factors': even the most perfect machines and techniques of production are only employed if they promise to raise the rate of profit. And finally even the 'total capitalist' himself is limited in his comforts and pleasures by the necessity for constant accumulation. Thus, even if the category of value seems conditioned by that of use-value when regarded from the standpoint of the social process of reproduction, this latter process is totally subject to value and the creation of value in the capitalist economy. And it is this very antinomy between contradictory aims, the constant interaction of the categories of value and use-value – which must however, be reconciled! – which should be kept in mind when we are discussing the reproduction of total social capital, as analysed by Marx.

[22] *Capital* III, p.636.

Of course the fundamental possibility of a solution to this antinomy can only be demonstrated by a highly abstract, yet simple, model: Marx's schemes of reproduction provide just such a model in that they divide total social production into two large departments – means of production and means of consumption – and set each department to work for the other. In order to be able to repeat the production process, each of the two departments has primarily to attend to the replacement of the value of its elements of production; however, it can only do this if it obtains a portion of these elements of production from the other department, in a suitable material form. However, on the other hand, each department can only come into the possession of the use-values which it requires if it obtains them from the other department by means of the exchange of value-equivalents. This mutual dependence between society's 'replacement of value' and its 'replacement of material,' is clearly expressed in the schemes of reproduction; but the schemes can only show this dependence by strictly separating the two departments from one another and confining their mutual relations exclusively to the exchange of value-equivalents. Thus the alleged 'rigidity' of the schemes' basic presuppositions corresponds exactly to the problem which they first had to solve; and if numerous theoreticians (Tugan-Baranovsky, Otto Bauer and others) attempt to 'improve' Marx's schemes by the introduction of less strict conditions to make them more real, this merely proves how little they have grasped the meaning and the structure of these schemes.

Admittedly, one could question the point of presenting the possibility of a solution to the conflict between use-value and value, as revealed in the process of social reproduction, when this solution occurs millions of times over in capitalist practice by the adjustment of the prices of commodities to social demand, and the bankruptcy of individual firms. Certainly actual capitalist practice shows us the phenomena of economic crises, in which the periodically recurring impossibility of a solution to the conflict is demonstrated, and in which 'the contradictions and antagonisms of bourgeois production are strikingly revealed'.[23] Looked at in this way the question as to what extent the antinomy between use-value and value can be over-

[23] *Theories* II, p.500.

come at all within the capitalist economic order is certainly of theoretical interest, and the schemes of reproduction in Volume II which serve as an answer to this question, can be of great service in this respect.

4. The schemes of reproduction and the realisation problem

So much on the basic presupposition of the schemes of reproduction in Volume II, namely, that the relations of exchange between the two main departments of social production must accord with one another, both from the point of view of value, and from that of use-value, if equilibrium conditions for the reproduction of total social capital are to be maintained. (We have to stress this necessary condition of the schemes, since it is, unfortunately, too often forgotten in marxist literature.)

Naturally, this is not the only aspect which a study of the schemes offers and not the only task which Marx set himself by constructing them! His main aim – following Quesnay's example – was to design a new *Tableau Economique*, which was to summarise the 'innumerable individual acts of circulation', on the surface of bourgeois society, 'in their characteristic social mass movement', that is, 'the circulation between the great functionally determined economic classes of society'.[24] Marx's comments on Quesnay's *Tableau* also, therefore apply to the schemes of reproduction in Volume II of *Capital*. They too have the aim 'of portraying the whole production process of capital as a process of reproduction' (in which circulation appears as a mere form of the reproduction process), and at the same time of including in this reproduction process not only the 'origin of revenue and the exchange between capital and revenue', but also the 'relation between reproductive consumption and final consumption' and 'the circulation between consumers and producers'.[25] The only difference is that Marx's scientific project was incomparably more complex and difficult than Quesnay's! In the first place, as far as Quesnay was concerned, value still coincided with use-value,[26] and so the funda-

[24] *Capital* II, p.363.

[25] *Theories* I, pp.343, 344.

[26] The Physiocrats' 'method of exposition is, of course, necessarily governed by their general view of the nature of value, which to them is not a definite social mode of existence of human activity (labour), but consists of material things – land, nature, and the various modifications of these material things.' (*ibid.* p.46.)

mental question of a contradiction between use-value and exchange-value simply did not exist for him. And secondly, Quesnay dealt merely with simple reproduction, whereas Marx's central concern was, necessarily, the extended reproduction of total social capital. Accordingly Marx's schemes of reproduction are not only supposed to demonstrate how all the component parts of the annual value-product of society (c + v + s) mutually replace each other, but also how a portion of the surplus-value produced can be devoted to the further expansion of capitalist production – which naturally presupposes the regular exchange of these value-components, and their realisation on the market. In this sense the schemes of reproduction in Volume II can be regarded as a (provisional) solution to the so-called problem of realisation.

During the course of its history political economy has offered three solutions to the problems of realisation.

The first solution goes back to J. Mill, D. Ricardo and J. B. Say. All these economists thought they could solve the problem of the realisation of surplus-value by equating capitalist production with simple commodity production, but naïvely reduced the latter to the simple exchange of products. Since any act of production – they teach – creates its own demand, and since in the last analysis products are always exchanged for products, there is a 'metaphysical equilibrium' of sellers and buyers. So in the last analysis all commodities can be disposed of on the market – provided they are produced in the right quantities, in correct proportions. For these economists the realisation problem as such did not really exist, and was reducible in fact to the problem of the proportionality between the different branches of social production.

The position of a contemporary critic of the classical school, Sismondi, was quite different. Sismondi was the first bourgeois economist to be aware of the historically specific character of the capitalist type of economy. Thus he regarded the commodities appearing on the market not simply as 'products' but as products of capital. That is : the owner of the capital obtains an increase in value (*mieux valeur*) in their production, not 'because the product of his enterprise yields more than the amount of production costs, but because he does not pay the full production costs, because he gives the worker an insufficient wage for his labour'.[27] It is precisely this increase in value, this 'surplus-product' which forms the source of the accumulation of capital. But how can the surplus-product be sold

[27] See Sismondi, *Nouveaux Principes de l'Economie Politique*, Vol.I, Book 2, Chapter 4 ('How capitalist profit arises'), p.92.

if the workers who have produced it can only buy back that part of the product which corresponds to the wage for their labour, and if the capitalists themselves do not consume the entire surplus-product, since a portion of it must be capitalised? Sismondi regarded this as an insuperable difficulty; he thought that in the final analysis the realisation of the surplus-product would be impossible – unless it were disposed of and thus realised, abroad.

What was Marx's solution to the problem? It can be regarded as a unique synthesis of the views of Ricardo and Sismondi. Marx in no way denied that the realisation of surplus-value represented one of the thorniest problems of bourgeois economics. However, he categorically rejected Sismondi's doubts as to the possibility of realisation. According to Marx, capitalist production does in fact create its own market and in this sense also 'solves' the problem of the realisation of surplus-value. It does not solve this problem by completely abolishing it, but by 'creating the form', in 'which it can move' i.e. by 'transferring . . . the difficulties of realisation . . . to a wider sphere . . . giving them greater latitude'.[28] ('This is', we read in *Capital*, 'in general the way in which real contradictions are resolved').[29] The dialectical solution of the realisation problem can, therefore, only lie in the advance of the capitalist mode of production, in the constant extension of its internal and external market. Looked at from this perspective the extended reproduction of capital is neither 'impossible' (as it seemed to Sismondi), nor can it proceed (as the Classical economists thought) *ad infinitum*, since the capitalist mode of production must reproduce its internal contradictions at a continually higher level, until the 'spiral' of capitalist development (an image borrowed from Sismondi) reaches its end.

This dialectic of the realisation problem should be kept in mind if we really want to appreciate the breadth and significance of half a century of debate on the schemes of reproduction in Volume II of *Capital*.

[28] *Capital* II, p.473.

[29] *Capital* I, p.198 (104). Cf. *Capital* III, p.250: 'Capitalist production seeks continually to overcome these immanent barriers, but overcomes them only by means which again place these barriers in its way and on a more formidable scale' – this refers to the falling rate of profit and the devaluation of capital.

This is the sense in which Marx employed the concept of 'living contradiction', which he took from Hegel. See *Grundrisse*, p.421, 774-75. In addition, Marx's letter to Johann Schweitzer of 24 January 1865, in *Selected Correspondence*, pp.142-49.

II. THE DISCUSSION BETWEEN THE 'NARODNIKS' AND THE 'LEGAL' MARXISTS IN RUSSIA

Curiously, the schemes of reproduction in Volume II of *Capital* remained unnoticed by German marxist literature for almost two decades. Kautsky, the sole writer who did deal with this subject, devoted a mere two lines to them in a review of Volume II of *Capital* (1885): 'Finally, the accumulation of surplus-value, the expansion of the production process brings further complications.'[30] And this was literally everything which was said on the schemes of reproduction during those decades. It was not until a translation of Tugan-Baranovsky's book was published in Germany that the attention of marxist theoreticians there was drawn to Marx's analysis of the process of social reproduction: it was first extensively discussed in Hilferding's *Finanzkapital* (1909).

This strange state of affairs is perhaps not too difficult to explain. There was clearly no particular contemporary social reason arising from conditions in West and Central Europe which would have prompted the theoreticians of the Second International to discuss the contents of Part III of Volume II of *Capital*. And so this volume simply remained in total oblivion.

The situation was completely different in Russia, where the date of the publication of Volume II of *Capital* coincided with the period of debate on the subject of the possibility and necessity of capitalist development in Russia, a debate which particularly occupied the minds of the progressive intelligentsia. Both camps in the dispute appropriated the analyses in Volume II – the Narodniks who denied the possibility and the marxists who insisted on it – in order to try and find the means to resolve the question which was of such vital importance to them.[31] And so Russia became the first country in which the crucial theoretical significance of these analyses emerged.

1. Engels's debate with Danielson

The most famous of the Narodnik theoreticians was the translator of *Capital*, N. Danielson, who engaged in a lively correspondence with Engels after Marx's death.

[30] Quoted by Rosa Luxemburg.

[31] We can only deal cursorily with this controversy here; we would refer the reader to the brilliant presentation in Luxemburg's *The Accumulation of Capital*.

In his letter of 3 February 1887 Danielson informed Engels that he intended to write a book, 'which would offer the reading public an explanation of our economic life and its developmental tendencies in the light of the "Author's" [i.e. Marx's] theories'.[32] Engels naturally agreed to Danielson's scheme, and stressed how important it would be, 'to show how our author's theory could be applied to your conditions'.[33] However four years had elapsed, with Danielson's work on the book under way, before he and Engels began a vigorous discussion which immediately revealed the extent of the differences in their theoretical assumptions.

Danielson wrote on 24 November 1891: 'In my last letter I wanted to show you a Russian version of the "creation of the internal market for the industrial classes". I wanted to demonstrate how the destruction of the subsidiary trades of the countryside, the process whereby manufacture is divorced from agriculture, takes place, in order to prove that it is "only the destruction of rural domestic industry which can give the internal market of a country that extent and stability which the capitalist mode of production requires".[34] I wanted to direct your attention to our unique situation. We make our appearance on the world market at a time when the capitalist mode of production and the technical progress which it brings with it, have won the upper hand . . . As a result, we have, on the one hand, a peasantry which is growing ever poorer, and on the other hand, an industrial sector which is becoming continually more concentrated and technically advanced, but which is completely dependent on the fluctuations of the internal market, i.e. dependent on the extent of the separation of industry and agriculture.'[35]

Thus, Danielson's doubts as to the possibility of a full development of capitalism in Russia are already evident in this letter. But his scepticism on this subject is first really revealed in a letter of 24 March 1892. He writes: 'We "liberated" between 20 to 25 per cent of our rural population from the land. Those peasants now wander around looking for work . . . What can they do? Go into factories? But we know that the number of workers employed in present-day industry is constantly declining[36] . . . How many workers can our own internal *market* absorb, until it is totally satiated? "As buyers of com-

[32] *Perepiska K.Marksa i. Fr.Engelsa s russkimi politisheskimi dejatelami*, (*Marx and Engels's Correspondence with Russian Political Figures*), 1947 p.106.

[33] *ibid.* p.107.

[34] Quoted from *Capital* I, p.911 (745).

[35] *Perepiska*, pp.119-20.

[36] Danielson forgets that Marx referred to a relative, not an absolute decline of the productively employed workers.

modities the workers are important for the market. But as sellers of their commodity – labour-power – capitalist society tends to keep them down to the minimum price"[37] . . . here we have our starting point – our internal market. . . . A capitalist nation resolves the contradiction pointed out by our author by the extension of its external markets. But how can we escape this contradiction? Just as it is impossible to imagine a capitalist factory whose production were to be dedicated exclusively to the consumption of the workers employed by it, so a capitalist nation without foreign markets appears equally impossible.[38] And it is precisely for this reason that every capitalist country summons all its powers to conquer the markets of its rivals; there is no capitalism without markets.' But could Russia obtain external markets? 'We enter the world arena at a time when all the efforts of our competitors are stretched to the utmost, when they have to be content with even the slightest rate of profit . . . It therefore seems that our beloved child – capitalism, which destroys the basis of peasant domestic industry, but which has neither an internal, nor an external market, possesses no solid foundation for its development.'[39]

It is clear that Danielson is wrong here; but what is the source of his error? He was correct when he asserted that neither the workers of an individual capitalist factory, nor those of a capitalist country would be in a position to 'buy back' the product of their labour; rather, that they can always buy only the part of this product which corresponds to their wage (not v + s, but only v); and he was also correct when he saw the disproportion between the total sum of wages and the size of the value-product newly created by the workers, as constituting one of the glaring contradictions of the capitalist mode of production.[40] However, one should not regard this question statically, as he did! For, as long as accumulation progresses, and a portion of accumulated surplus-value is used to employ additional labour-power, i.e. workers, then these will help to realise the surplus-value created in the previous period of production by spending their wages. Of course, the newly employed workers will also in turn create a value-product, whose size must exceed the total sum of their wages,

[37] Quote from *Capital* II, p.320.

[38] Danielson expresses the same idea in the later published *Outlines* as follows: 'Just as an individual factory owner could not maintain himself as a capitalist even for a day if his market were confined to his own requirements and those of his workers, so the home market of a developed capitalist nation must also be insufficient.' (Quoted in Luxemburg, *op. cit.* p.286.)

[39] *Perepiska*, pp.127-29.

[40] Marx also often stressed this point, as can be seen from his statements cited on p.487 above.

and so the above contradiction will be constantly reproduced at a new, higher level . . . however, this dialectical study of the question is totally different to the abstract and hence extremely simplified ('linear') conception of the Russian Narodniks.

But how did Engels react to Danielson's letter? Did he deny the existence of the problem itself; did he declare it to be a simple 'misunderstanding', as did the Russian opponents of the Narodniks? Not at all. In fact he energetically stressed the point that according to Marx's theory the solution to the conflict between capital's unrestricted drive for valorisation and capitalist society's limited ability to consume was to be sought primarily (but not exclusively!) in the expansion of the capitalist economic order, in the creation of the internal market. But he conceded to his correspondent that this would be a contradictory and painful process – especially for a country such as Russia which started along the road of capitalist development at a relatively late stage, and had no significant external market at its disposal. For, as long as 'Russian industry is confined to the internal market, production can only cover internal consumption. And that can only grow slowly . . . Because it is one of the necessary accompanying phenomena of large-scale industry that it destroys its own market by precisely the process through which it creates it. It creates it by means of the destruction of peasant domestic industry. But the peasantry cannot live without domestic industry. They are ruined as peasants; their purchasing power is reduced to a minimum, and until they are established in new conditions of existence as proletarians, they furnish only a very poor market for the newly arisen factories.' However, the capitalist mode of production is 'full of internal contradictions' and the 'tendency to destroy its own internal market at the same time as it creates it is one of them'. Another contradiction is the 'hopeless position' to which capitalism leads in the last analysis 'and which comes about more quickly in a country without external markets (like Russia) than in countries which are more or less capable of competing on the open world market'. ('The latter', he added, 'can resort to the heroic means of trade policy, i.e. the forcible opening up of new markets.'[41])

Engels concluded his exchange with Danielson in a further letter with the words: 'I will gladly agree with you that insofar as Russia is the last country to be conquered by capitalist large-scale industry, and at the same time is also a country with an incomparably larger rural population than all other countries, the revolutionary change caused by the economic revolution must be much deeper and more

[41] *Perepiska*, pp.137-38.

acute there than anywhere else. The process of the replacement of no less than 500,000 large landowners and approximately 80 million peasants can only be accomplished at the cost of terrible suffering and convulsions. History is the cruellest of goddesses, and she drives her chariot of triumph over mountains of corpses – not only in war, but also in "peaceful" economic development.'[42]

2. *Bulgakov's and Tugan-Baranovsky's interpretation of Marx's analysis of extended reproduction*

In contrast to Engels, the Russian adversaries of the Narodniks 'seized the bull by the horns'. Their main aim was to expose the theoretical shortcomings in the Narodniks' theory, and in so doing they skilfully used Marx's analysis of the reproduction of total social capital. However, as Rosa Luxemburg pointedly remarked, they proved 'too much': 'The question was whether capitalism in general and Russian capitalism in particular was capable of development; these marxists however have proved this capacity to the extent of even offering us the theoretical proof that capitalism can go on for ever.'[43]

What is most immediately obvious in the essays and books of the Russian Legal Marxists in question is that they continually confuse Marx's abstract analysis with capitalist reality (as the Austro-marxists did later), and therefore draw conclusions from this analysis which are in no way justified.

This is evident even in the case of the most gifted and 'orthodox' of the Legal Marxists, Bulgakov.[44] Bulgakov of course realised that Marx's schemes 'look at neither the industrial cycle nor the periodically recurring crises, and that they consequently cannot accurately represent the real course of economic life. However, the point is that they in principle demonstrate the possibility of extended reproduction, and that this possibility will also become a reality.'[45]

Nonetheless, despite this reservation Bulgakov is convinced that these schemes, just as they are, offer the final and absolute solution

[42] *ibid.*

[43] Luxemburg, *op. cit.* p.325.

[44] We omit Struve here, whose boundless optimism as to the future outlook for Russian capitalism was criticised by Engels in a letter to Danielson. (See *MEW* Vol.39, pp.148-49.)

[45] S.Bulgakov, *O rynkach pri kapitalistitscheskom proizvodstve* (On the Question of Markets under the Capitalist Mode of Production), Moscow, 1897, p.165.

to the realisation problem. He writes, 'The most important questions of the theory of markets are resolved by the analysis of the exchange between the two departments' (Department I and Department II). 'Such an investigation shows where the market for surplus-value is to be found, how those parts of the commodity-product of the various capitals, which represent the value of the used-[up] constant capital, circulate, and how, finally, the consumption of the wages and surplus-value of those enterprises which produce non-consumable products is possible.'[46]

And in another passage of his book we read: 'The main difficulty in the analysis of the process of extended reproduction is to explain how the extension of production in Departments I and II is possible, although the first Department only produces constant capital and the second only variable. This difficulty is overcome by the fact that I accumulates constant capital for itself and for II, and II accumulates variable capital for itself and for I. Hence the difficulty of accumulation reduces itself to the exchange of those portions of the product which each department accumulates for the other.'[47]

So far, so good. In fact, Bulgakov overlooks the fact that the solution to the realisation problem, which the schemes offer, is only a solution at a quite abstract level and cannot, therefore, be a complete solution. Apart from this shortcoming there is little to object to in his formulation. Not satisfied with this, however, Bulgakov goes further. Because Departments I and II are exclusively dependent on one another in the schemes in Volume II, and require no other purchases, he outlines a grotesque picture of the absolute self-sufficiency of capitalist production – not only in the hypothetical world of the schemes, but also in reality! He says, 'Mr. Tugan-Baranovsky was absolutely right in maintaining that capitalist production creates, simply by means of its growth, an uninterruptedly expanding market and that the degree of this expansion of the market depends solely on the presence of productive forces.'[48]

But why was Tugan right? Simply because, in Marx's schemes, Department I, which produces means of production, provides, from the first year, 'an independent demand' for the means of consumption from Department II, and Department II a similar demand for means of production from I: 'In this way a closed circle is already formed at the initial stage of capitalist production, in which it is totally independent of the external market, but is self-sufficient and

[46] *ibid.* pp.28-29.
[47] *ibid.*
[48] *ibid.* p.246.

capitalist 'can both live from profit as well as accumulate' he must be able 'to set a certain quantity of living labour capacities to work simultaneously . . . his profit must be equal to the sum of the surplus time of many simultaneous living work days'.[4]

How does the number of workers employed by capital affect the valorisation of capital, the production of surplus-value?

We must first of all distinguish between the rate and the mass of surplus-value. For the first, as we have said, the number of workers employed is completely irrelevant. The capital may employ 5 or 50 workers; if the workers all work for the same length of time and if the relation between paid and unpaid labour is the same, then each of the 50 workers will produce just as much surplus-value as each of the 5. However, what will differ is the total mass of the surplus-value produced in each of the two cases – the scale on which capital can valorise itself at one time. In order to determine this mass, one must not only know – as with a single working day – the rate of surplus-value and the length of the working day, but also how often the working day is repeated spatially, that is the number of simultaneously employed workers. Both of the last two factors can nevertheless be summarised in the concept of 'aggregate labour',[5] in which the distinction between several working days and one working day would disappear in relation to the determination of the surplus-value produced. In the same way the labour set in motion by the aggregate capital of a society can also be thought of as one working day (thus for example the aggregate labour of 6 million workers who on average work 8 hours daily, as 1 working day of 48 million hours). If this 'social working day' represents a fixed magnitude, then surplus-value can clearly only 'be increased relatively, by means of a greater productive power of labour'; however, this is given 'only absolutely . . . through transformation of a greater part of the population into workers, and increase of the number of simultaneous working days'.[6] Therefore the growth of the working population appears here as the 'mathematical limit to the production of surplus-value by the total social capital'.[7]

So much on the ways in which the number of labour-powers employed affects the valorisation of capital, the mass of surplus-value which it produces. However, this is by no means the only aspect offered by the study of 'simultaneous working days'.

[4] *Grundrisse*, pp.585, 588.
[5] 'Aggregate labour, i.e. the working day multiplied by the number of simultaneous working days . . .' (*Grundrisse* p.830.)
[6] *ibid.* p.774. (Cf. *Capital* III, pp.243-44.)
[7] *Capital* I, p.422 (307).

The method of production based on capital is only possible because capital can continually appropriate surplus labour. However, surplus labour 'exists only in relation with necessary, hence only insofar as the latter exists. Capital must therefore constantly posit necessary labour, in order to posit surplus labour . . . but at the same time it must suspend it as necessary in order to posit it as surplus labour . .).' It is its tendency, therefore, to create as much labour as possible, just as it is equally its tendency to reduce necessary labour to a minimum. Marx says: 'As long as we regard the single working day, the process is naturally simple: (1) to lengthen it up to the limits of natural possibility (2) to shorten the necessary part of it more and more (i.e. to increase the productive forces without limit).' However, the matter is different if the question is not part of one working day, but of 'many working days alongside one another'. The tendencies which have been mentioned appear here in modified form.

On the one hand it is inherent in the nature of capital to strive for limitless valorisation (it creates only 'a specific surplus-value because it cannot create an infinite one all at once; but it is the constant movement to create more of the same'[8]). However, the living work day, which constitutes the source of its valorisation, is always limited – whether this be a question of a natural limit, or a legal one drawn by society. Consequently if its duration cannot be prolonged, and if the development of the technique of production does not permit any increase in relative surplus labour, then capital can leap over the limit of the working day 'only by positing *another* working day *alongside* the first at the same time – by the spatial addition of more simultaneous working days. E.g. I can drive the surplus labour of A no higher than 3 hours; but if I add the days of B, C, D etc. then it becomes 12 hours. In place of a surplus time of 3, I have created one of 12.'[9] Thus within definite limits the prolongation of the working day can be replaced by increasing the number of workers, and the mass of absolute surplus-value can be increased, despite a constant rate of surplus-value.[10] This therefore explains capital's striving to

[8] *Grundrisse*, p.334.
[9] *ibid.* p.400.
[10] The proposition 'that . . . if the rate of surplus-value is given, the amount of surplus-value depends on the number of workers simultaneously employed by the same capital' appears to be a tautological statement, says Marx elsewhere. 'For if 1 working day gives me 2 surplus hours, then 12 working days give me 24 surplus hours or 2 surplus days. The statement, however, becomes very important in connection with the determination of profit, which is equal to the proportion of surplus-value to the capital advanced, thus depending on the absolute amount of surplus-value . . . If one merely considers the simple law of surplus-value, then it seems tautological to say

contributing any new element to the problem, or to its solution'.[56] However, as soon as one approaches the more developed concrete relations matters appear in a quite different light, as Rosa Luxemburg pointed out in her polemic against Bulgakov. Difficulties arise in the sphere of realisation which cannot be dealt with in the schemes in Volume II,[57] the very same difficulties which can be ameliorated, for a shorter or longer period of time by external trade.

Thus, imported commodities can be directly employed in the production process. So the 'change in the useful form' was nothing other than the act of realising the value of the exported commodities. (If, for example, English manufacturers export textiles and import cotton in return then at the same time this is *pro tanto* also the solution to their 'realisation problem', because by this they are able to transform a part of their accumulated surplus-value into the elements of production necessary for the expansion of their factories.) On the other hand Bulgakov himself admits, 'that partial overproduction of one or two commodities can be overcome if the surplus can be exported and sold on external markets. In this case external trade provides a safety-valve, which can protect any one given country from a partial or general crisis of overproduction'[58] (which means nothing more than that the country concerned finds a way of realising its surplus of commodities through external trade). Thus, Bulgakov's arguments lose all their persuasiveness when we turn to individual branches of production in particular countries in the concrete capitalist world.

After having denied any theoretical connection between the realisation problem and the question of external trade Bulgakov had to construct a specific theory of external trade which, as Luxemburg said, 'was not borrowed from Marx, but rather from the German scholars of bourgeois political economy'. In fact, 'there is no room in this theory for foreign trade. If capitalism forms a "closed circle" from the very beginning, if, chasing its tail like a puppy and in complete "self-sufficiency" it creates a limitless market for itself and can spur itself on to ever greater expansion, then every capitalist country must also be a closed and "self-sufficient" economic whole.'[59]

From this perspective 'the necessity of the external market for a capitalist country has causes which do not have their origin in the organisation of capitalist production itself, but which are external to

[56] *ibid.* p.474.
[57] See p.332 above.
[58] Bulgakov, *op. cit.* pp.200-01.
[59] Luxemburg, *op. cit.* p.306.

this organisation';[60] such causes can therefore only be of a 'historical' or 'geographical' nature![61] So, for example, England has to compensate for certain deficiencies which are due to its climate and the conditions of its soil. However, this does not apply to vast countries of a continental type, such as the USA or Russia, which can produce all – or nearly all – the necessary raw materials and foodstuffs themselves.[62] So it is hardly surprising that Bulgakov, in opposition to the Narodniks, predicted 'a great and brilliant future'[63] for Russian capitalism, still in its infancy, and even cherished the hope that Russia would soon be in a position to defeat its competitors on the world market[64] – a strange wish for a follower of Marx's theory. But Bulgakov was not the only one to indulge in such dreams.

Let us now turn to another opponent of the Narodniks – the Russian professor Tugan-Baranovsky who, although less gifted and original than Bulgakov, gained a big reputation in the West, and whose writings had a great influence on the thinking of German social-democratic theoreticians (Hilferding, O. Bauer). Rosa Luxemburg pointed out the difference in the approach of the two authors when she wrote: 'Like Bulgakov, Tugan-Baranovsky starts from Marx's analysis of social reproduction, which gave him the key to finding his whereabouts in this bewildering maze of problems. But while Bulgakov, the enthusiastic practitioner of Marx's theory, only sought to follow him faithfully and simply attributed his conclusions to the master, Tugan-Baranovsky, on the other hand, lays down the law to Marx who in his opinion did not know how to turn his brilliant exposition of the reproduction process to good account.' And in another passage: 'Bulgakov made an honest attempt to project Marx's scheme on to the real, concrete relations of the capitalist economy and capitalist exchange; he endeavoured to overcome the difficulties resulting from this . . . But Tugan-Baranovsky does not need any proof, he does not greatly exercise his brains. Because the arithemetical proportions come out satisfactorily and can be continued *ad infinitum*, this is to him proof that capitalist production can likewise proceed without let or hindrance – provided the said proportion continues to obtain.'[65]

We can add to this that Tugan-Baranovsky also loved to push his arguments to extremes and to indulge in paradoxes, which cer-

[60] Bulgakov, *op. cit.* p.260.
[61] *ibid.* p.183.
[62] *ibid.* pp.170-73.
[63] *ibid.* p.225.
[64] *ibid.* p.218.
[65] Luxemburg, pp.311, 315.

tainly did not add to the scientific value of his analyses. However, the conclusions of his first book do not differ fundamentally from Bulgakov's.[66] Like Bulgakov, Tugan also proclaimed the absolute self-sufficiency of capitalist production and its alleged independence from social consumption. Like Bulgakov he too denied that the spur to obtain external markets originated in the inherent laws of capitalism. And finally, he too derived economic crises, solely from the disproportionality between the various branches of industry. In all these aspects both authors can be regarded as forerunners of the later 'neo-Harmonist' trend in marxist economics. If we can discover a difference in their views this is to be found more in the accent given to different aspects – not what Tugan says, but how he says it.

A few passages from his book will suffice to illustrate this. 'The schemes quoted' (Tugan means here the schemes from Volume II as modified by him) 'must, as evidence, demonstrate the in-itself simple axiom that capitalist production creates a market for itself. If social production can be extended, if the productive forces are sufficient for this, then, with the proportional division of social production, demand too must undergo a corresponding expansion; for, under these conditions, every newly-produced commodity represents newly appearing purchasing power for the acquisition of other commodities.'[67] However, 'if the expansion of production has no practical limits, then we must assume that the expansion of the market is likewise unlimited, for if social production is organised proportionally there is no other barrier to the expansion of the market except the productive forces which society has at its disposal.'[68]

This already unwittingly constitutes an interpretation of Marx's schemes along the lines of Say's theory. But this is not the only thing which Tugan wants to derive from the schemes. According to him one can also derive the 'highly important conclusion that in capitalist society the demand for commodities is in a certain sense independent of the total volume of social consumption: this total volume of social consumption can decrease and at the same time aggregate social demand for commodities can grow – regardless of how absurd that might appear from a "commonsense" point of view. The accumula-

[66] M. von Tugan-Baranovsky, *Studien zur Theorie und Geschichte der Handelskrisen in England*, Jena 1901. (The author was unfortunately unable to obtain a copy of the first, 1894 edition, published in Russia. Rosa Luxemburg also used the later German translation, which certainly differs at numerous points from the first edition, as Tugan-Baranovsky had in the meantime become an open revisionist.)
[67] *ibid.* p.25.
[68] *ibid.* p.231.

tion of social capital leads to a contraction of the social demand for means of consumption, and simultaneously to an increase in the aggregate social demand for commodities.'[69]

This is, of course, the exact opposite of Marx's schemes, in which the advance of accumulation is accompanied by a steady growth in social consumption. In order to corroborate his hypothesis Tugan has to have recourse to one factor which was not considered in the schemes in Volume II, namely the law of the increasing organic composition of capital: 'Technical progress is expressed by the fact that the significance of the means of labour, machines, increases in comparison to living labour, to the worker himself . . . compared to the machine the worker recedes into the background, and at the same time the demand which arises from the worker's consumption is also placed in a position of less importance in comparison to the demand which arises from productive consumption by the means of production. The entire workings of the capitalist economy take on the character of a mechanism existing for-itself, as it were, in which human consumption appears as one simple moment of the process of the reproduction and circulation of capital.'[70]

And what does Tugan conclude from all this? Simply that 'machines have stepped into the place of living labour, the means of production have replaced the means of consumption as the market for commodities'. Thus, 'national income can fall and national demand simultaneously rise; the increase in national wealth can be accompanied by a reduction in national income, although that may sound paradoxical'.[71]

As we see, Tugan has succeeded in totally separating production from social consumption. It comes as no surprise that his fantasy later[72] led him to present a picture of capitalist society in which the entire working class has disappeared, with the exception of one single worker: and this single worker serves an enormous mass of machinery, which in turn produces new machines – without this situation leading to a discrepancy between production and social consumption.[73]

This is enough on the subject of Tugan-Baranovsky's 'marxism gone mad', which in fact only differs from Bulgakov's version in the extreme manner in which it is formulated, rather than in its funda-

[69] *ibid.* p.25.
[70] *ibid.* p.27.
[71] *ibid.* p.193.
[72] *Theoretische Grundlagen des Marxismus*, 1905.
[73] Quoted from W.Alexander, *Kampf um Marx*, 1932.

mentals.[74] However, Tugan and Bulgakov do differ on one point: their evaluation of Say's law. Whereas Bulgakov, in accordance with his orthodox marxism, was critical of Say, Tugan accepted the latter's thesis almost without any reservations whatsoever. He writes: 'For my part, I in no way assert that this theory is correct in every detail. Despite this I regard the kernel of the theory, its principal idea, namely that with a proportional division of social production the supply of commodities must coincide with demand – not only as correct, but as indisputable. In my opinion every objection which has been raised against this idea exhibits a serious lack of understanding of it!'[75]

However, it must be admitted that in this respect Tugan was merely more consistent than Bulgakov, since the 'harmonistic' interpretation of Marx's theory by the Legal Marxists was, at root, merely a revival of Classical 'optimism' in marxist guise. This indeed demonstrates the unexpected consequences which follow from the use of Marx's schemes of reproduction outside of their overall context, and taken in isolation.

III. LENIN'S THEORY OF REALISATION[76]

We characterised Bulgakov and Tugan-Baranovsky as forerunners of the later neo-Harmonist tendency in marxist economics. But doesn't this observation put us in a theoretical dilemma? It is well known that both authors had an ally in their controversy with the Narodniks in the young revolutionary marxist, Lenin, who

[74] 'Tugan-Baranovsky', wrote Hilferding, 'sees only the specific economic forms of capitalist production and overlooks the natural conditions which are common to all production, whatever their historical form, and thus comes to the strange idea of a form of production which only exists for production's sake whilst consumption appears as a burdensome appendage. If this is "madness", it does have "method", and in fact marxist method, for this analysis of the historical specificity of capitalist production is specifically marxist. It is marxism gone mad, but still marxism, which makes Tugan's theory appear at the same time to be so strange and interesting.' (*Finanzkapital*, p.355, Note 1.)

[75] Tugan-Baranovsky, *op. cit.* p.27. It can be seen from Bulgakov's polemic against Tugan's first book that he proposes the same idea there too.

[76] If we pay particular attention to Lenin's writing on the problem of realisation, this is not just because of their unquestionable theoretical significance, but also because extensive extracts from them are usually appended to editions of *Capital*, apparently to serve as a kind of official exegesis of Marx's work. This practice began in the 1930s, and Lenin would certainly not have tolerated it if he had been alive.

shared many of their views on this subject. Does this mean that Lenin also has to be attributed with a harmonistic interpretation of Marx's economic theory? Bulgakov and Tugan-Baranovsky both left the socialist movement after a few years and became ideologues for the liberal Russian bourgeoisie. However, a scientific theory cannot be judged by the political careers of its advocates, and the later ideological development of Bulgakov and Tugan-Baranovsky is therefore no more relevant than that of Lenin in this respect.

So the dilemma we have just referred to is perhaps not as great as it might appear at first sight. We should remember that economic and sociological theories do not exist in the ether of pure knowledge, but also, as a rule, fulfil certain social functions. Looked at in this way, Lenin's theoretical alliance with the Legal Marxists does not appear quite so remarkable.

At that time the Russian marxists saw it as one of their main tasks to put up a determined opposition to the ideology of the Narodniks, which denied the special historical role of the Russian working class and wanted to drag the socialist movement of the country back onto the utopian path of a specifically Russian agrarian socialism. In order to overcome this ideology the theoretical assumptions on which it was based had to be shown to be without foundation. Thus, when the Narodniks spoke of the basic impossibility of the realisation of surplus-value in the capitalist economy, and proved this by reference to the external markets which the Russian bourgeoisie lacked, to declining social consumption and to the crises of overproduction inherent in capitalism, then their marxist opponents sought to prove that the realisation of surplus-value was also possible without foreign markets and even with a low level of consumption, and that consequently the phenomenon of crises of overproduction should not be derived from the difficulty of realisation but from the anarchy of the capitalist economic system. The abstract analysis of the hypothetical conditions for equilibrium in the process of expanded reproduction in a 'pure' capitalism was supposed to provide adequate proof of this. It is hardly surprising then that the marxist opponents of the Narodniks far overestimated the scope of this analysis, and occasionally interpreted it in a way which could scarcely be reconciled with the real meaning of Marx's theory.

From this perspective the pointed remark which Plekhanov inserted into the second edition of his pamphlet *Our Differences*, in which he distanced himself both from the Legal Marxists and from Lenin, is understandable. He wrote, 'I never subscribed to those theories of the market in general, and of crises in particular which overcame our Legal Marxist literature like an epidemic in the nine-

ties. According to this theory, whose chief propagandist can be regarded as Tugan-Baranovsky, reproduction has no barriers, and crises are simply explained by the disproportion of the means of production. Werner Sombart regarded Tugan-Baranovsky as the father of this supposedly new theory. However, the real father of this by no means new theory was J.B.Say in whose *Treatise* it is elaborated in detail. Apart from Tugan-Baranovsky this theory is also propagated by V. Lenin in both his *Remarks on the Question of the Theory of Markets* (1899), and his book *The Development of Capitalism in Russia*.'[77]

Plekhanov's critique of Lenin, the polemical sharpness of which is mainly attributable to the factional struggles inside Social Democracy at that time, is certainly exaggerated. It does seem to contain an element of truth, however, especially if Lenin's earliest writings on the question of realisation are considered. For example, we find the following sentence in his first work *On the So-called Question of Markets*: 'The market is simply the expression of the division of labour in the commodity economy, and therefore its growth is as limitless as that of the division of labour.'[78]

This is an assertion which lends itself to an interpretation similar to that of the optimistic perspective expounded by the Classical economists. There are also several passages dealing with crises in Lenin's significant work *A Characterisation of Economic Romanticism* which are equally questionable, where he agrees with Ricardo, and even McCulloch, in their dispute with Sismondi.[79]

However, if we turn to Lenin's later writings, and in particular to those cited by Plekhanov, we must reject the view that there is a fundamental similarity between Lenin's and Say's conception. These works do nonetheless contain some one-sided arguments and exaggerated formulations which we ought to deal with here.

Lenin was of course right when he referred the Narodniks to the fact that their doubts as to the possibility of the realisation of surplus-value could be answered by Marx's analysis of the social process of reproduction. In fact Marx showed in his schemes how, if definite proportions are maintained in the exchange between the production goods and consumption goods industries, capitalist society can not only renew its constant and variable capital, but also enlarge

[77] Cited from Kowalik, *The Economic Theory of Rosa Luxembourg* in the journal *Ekonomista*, 1963, No.1. [In Polish.]

[78] Lenin, *Collected Works* Vol.I, p.100.

[79] Lenin later clearly changed his mind on this, as can be seen from his marginal notes on Luxemburg's *Accumulation of Capital* (in *Leninskii Sbornik* XXII, p.357).

it by means of the capitalisation of a portion of surplus-value. Lenin referred his Narodnik adversaries to these schemes several times, and adds: 'Once these basic propositions', the basis of Marx's schemes of reproduction, 'are taken into account, the problem of the realisation of the social product in capitalist society no longer presents any difficulty'. And further on: 'By establishing these main theoretical propositions Marx fully explained the process of the realisation of the product in general, and of surplus-value in particular in capitalist society.'[80]

But the question then arises: can the proof of the possibility of the realisation of surplus-value in principle, as offered by Marx's analysis, actually count as the 'complete explanation' of the realisation problem? In fact, the analysis in Volume II consciously disregards such decisive factors in the real capitalist world as the growth in the organic composition of capital, and the increase in relative surplus-value, i.e. factors which continually disturb the balance between production and consumption and consequently must place even greater obstacles in the way of the realisation of the social product.

Along with the Legal Marxists, Lenin thought that this objection could be countered by reference to the relatively faster growth in the industries producing the means of production. Thus, he stresses: 'On the problem of interest to us here, that of the home market, the main conclusion from Marx's theory of realisation is the following: capitalist production, and consequently, the home market, grow not so much on account of articles of consumption as on account of means of production. In other words, the increase in means of production outstrips the increase in articles of consumption.'[81]

And in another passage: 'This disparity' of production and consumption, 'is expressed, as Marx demonstrated clearly in his schemes, by the fact that the production of the means of production can and must outstrip the production of articles of consumption.'[82]

In actual fact, however, Marx's schemes show nothing of the kind, since, in both examples in Volume II, Department II develops at exactly the same speed as Department I. (This does not of course reflect concrete reality, but is a feature of the numerical examples chosen by Marx.) Hence, Lenin's thesis cannot be proved by reference to the schemes in Volume II, and like Tugan and Bulgakov before him, he is forced to connect the analysis of the reproduction

[80] Lenin, *Collected Works* Vol.3, pp.52, 68.
[81] *ibid.* p.54.
[82] Lenin, 'Reply to Mr. Nezhdanov', *Collected Works* Vol.4, p.162.

process in Volume II of *Capital*, with the law of the increasing composition of capital which was expounded in Volume III. He continually refers to the fact that, 'according to the general law of capitalist production constant capital grows faster than variable . . . Consequently the department of social production which makes the means of production must grow faster than the one which produces the means of consumption. Thus, for capitalism, the growth of the internal market is to a certain extent "independent" of the growth of individual consumption.' Of course, continues Lenin, 'the development of production (and consequently of the home market) chiefly on account of means of production seems paradoxical and undoubtedly constitutes a contradiction. It is real "production as an end-in-itself", the expansion of production without a corresponding expansion of consumption. But it is a contradiction not of doctrine, but of actual life.' For this is the feature 'that corresponds to the historical mission of capitalism and to its specific social structure. The former consists in the development of the productive forces of society; the latter rules out the utilisation of these technical achievements by the mass of the population.'[83]

The passages quoted here seem to be particularly characteristic of Lenin's interpretation of the theory of realisation. It is clear that his views on this were formed in the context of the specific situation of Russia during the early period of capitalism, in which the industrialisation of the still semi-feudal country seemed to in fact offer an unlimited market for the means of production. From this point of view Lenin's conception is certainly correct for all those countries which are at the stage of their industrial revolution and have yet to create the bases for modern industry – a transport system and mechanised agriculture – which normally takes place at the cost of a very low level of subsistence for the mass of the population. And when Lenin stressed the necessity and progressive nature of this process, he demonstrated his profound sense of historical reality and proved himself far superior to his Narodnik adversaries. But was he justified in extrapolating this hypothesis, which was based on a particular historical situation, to capitalism in all its phases? It is quite clear that capitalism must complete vast numbers of factories and machines, railways, harbours etc. while it is building up its industrial base, and that this process provides a rapidly growing market for the means of production, stretching over decades. However, sooner or later the basic phase of industrialisation is completed, and the industrial apparatus which has been created must produce goods for

[83] Lenin, *Collected Works* Vol.3, p.56.

individual use. Then the problem of the purchasing power of the masses enters the foreground and this cannot be evaded – unless one believes in 'Mr. Tugan-Baranovsky's carousel',[84] i.e. in his fantastic conception of 'the production of machines for their own sake'.

So much on Lenin's attempt to project the law of the increasing composition of capital onto Marx's schemes of reproduction and to interpret these schemes as implying a necessarily more rapid growth of the production-goods industries. We saw previously that the schemes of reproduction, which assume a parallel and equal development of Departments I and II, do not permit such an interpretation; and we now see that Lenin's thesis can only be valid for a limited period of time – namely the epoch of initial industrialisation – and can therefore in no way be regarded as a universal developmental law of capitalism.

However, this is not the only objection which can be raised against Lenin's interpretation of the schemes of reproduction. What appears even more questionable to us is the fact that he regarded the abstract analysis in Volume II as the final and definite word of the marxist theory of realisation, and accordingly did not wish to recognise the relevance of the later enlargements and modifications to this analysis, as found in Volume III. This creates considerable theoretical difficulties for him, which are mainly attributable to a certain misconceived 'orthodoxy' as far as Marx's writings are concerned.

This is evident in his polemic against Tugan-Baranovsky. As a revisionist and follower of Say, Tugan could not accept many passages in Volume III of *Capital* which contradicted his harmonistic interpretation of Marx's schemes. Above all, he attacked the well-known section in which Marx writes: 'The conditions of direct exploitation, and those of realising it are not identical . . . The first are only limited by the productive power of society, the latter by the proportional relation of the various branches of production *and*[85] by society's power of consumption.'[86]

Tugan-Baranovsky interprets this passage to the effect that, according to Marx 'proportionality . . . on its own does not guarantee the possibility of marketing the products. The products may not find a market even if the distribution is proportional – that is apparently the meaning of Marx's above-quoted words.' This is an interpretation which one must agree to as Marx's formulation does not in fact permit any other.

[84] This is how Luxemburg characterised Tugan's notion of the accumulation of capital.

[85] Author's italics.

[86] *Capital* III, p.244.

However, Lenin denies this. He replies: 'No; that is not the meaning of these words. There are no grounds for seeing in them some sort of a correction to the theory of realisation expounded in Volume III. Marx is here merely substantiating that contradiction of capitalism which he indicated in other places in *Capital*, that is the contradiction between the tendency towards the unlimited expansion of production, and the inevitability of restricted consumption (as a consequence of the fact that the mass of the population are proletarian). Mr. Tugan-Baranovsky will of course not dispute the fact that this contradiction is inherent in capitalism; and since Marx points to it in the passage quoted we have no right to look for some other meaning in his words.'[87]

The question is then: what other meaning? One different to the one which Tugan-Baranovsky attributes to the schemes of reproduction in Volume II – namely that the realisation of the social product depends exclusively on the proportionality between the various branches of production? In this instance Lenin's polemic misses its target: since, instead of attacking Tugan's harmonistic interpretation of Marx's theory of realisation as a mere 'theory of proportionality', he seems to sanction this interpretation – simply attempting to give it a 'further' modified form. In his view, ' "the consuming power of society" and "the proportional relation of the various branches of production" are not conditions that are isolated, independent of and unconnected with each other. On the contrary, a certain level of consumption is one of the elements of proportionality.'[88]

As far as Lenin's interpretation of the concept of proportionality is concerned, it is indisputable that any disturbance of the balance between production and consumption sooner or later also brings about a disturbance in the proportionality of the various branches of production. On the other hand it is clear that the concept of proportionality – if thought out to its conclusion – must also comprise the mutual correspondence of production and consumption. However, it in no way follows from this that the concepts of 'proportionality', and 'equilibrium of consumption and production' cannot be separated from one another, or that they should always be regarded as equivalent. Thus, for example, Marx deduced partial crises precisely from the disproportionality of the various branches of production,

[87] Lenin, *Collected Works* Vol.4, p.58.

[88] *ibid.* p.58.

without regard to the relation of production and consumption.[89] Lenin too wrote in an article directed against Struve: 'Marx's theory not only does not restore the apologetic bourgeois theory, but on the contrary, provides a most powerful weapon against apologetics. It follows from this theory that even with an ideally smooth and proportional reproduction and circulation of the aggregate social capital, the contradiction between the growth of production and the narrow limits of consumption is inevitable.'[90]

But if this is the case, then Tugan's interpretation of Volume III was correct; it must then be admitted that according to Marx the realisation of the social product does not only depend on the 'proportional relation between the various branches of production', but also on 'society's capacity to consume', and it is difficult to see what could be the theoretical use of Lenin's concept of 'proportionality in a further sense'.

And Lenin's oft-repeated argument that Marx merely 'stated' the contradiction between production and consumption in the cited passages from *Capital*, and 'nothing more', is even less convincing.[91] This contradiction plays a key role in Marx's theory and was only left out of consideration in the analysis in Volume II for methodological reasons which we have yet to deal with.

It is evident that Lenin's postulate, according to which the relation of production and consumption is to be subsumed under the concept of proportionality, brings him uncomfortably close to Bulgakov's and Tugan's 'disproportionality theory' of crises. We read in his book *The Development of Capitalism in Russia*: 'If one speaks of the "difficulties" of realisation of crises etc. which arise from them, one must admit that these "difficulties" are not only possible, but necessary . . . Difficulties of this kind, due to the disproportion in the distribution of the various branches of industry, constantly arise, not only in realising surplus-value, but also in realising variable and constant capital; in realising not only the product consisting of articles of consumption, but also that consisting of means of production.'[92]

[89] Cf. *Theories* II, p.521: 'It goes without saying that, in the whole of this observation, it is not denied that too much may be produced in individual spheres and therefore too little in others; partial crises can thus arise from disproportionate production . . . and a general form of this disproportionate production may be overproduction of fixed capital, or on the other hand, overproduction of circulating capital . . . However, we are not speaking of crisis here insofar as it arises from disproportionate production, that is to say, the disproportion in the distribution of social labour between the individual spheres of production . . . Ricardo etc. admit this form of crisis.'

[90] Lenin, *Collected Works* Vol.4, p.87.

[91] Lenin, *Collected Works* Vol.2, pp.168-69, Vol.4, pp.58-59.

And even more clearly in another passage: 'The irregular production of an unrealisable product (i.e. crisis) is inevitable in capitalist society, as a result of the disturbance in the proportion between the various branches of industry.' ('But', Lenin adds, 'a certain level of consumption is one of the elements of proportionality'.)[93] This essentially amounts to the disproportionality theory of crises, even if this theory is modified in such a way that the proportionality of the branches of production now also depends on the relations of consumption.

Lenin's interpretation of Marx's theory of realisation also explains his complete rejection of Rosa Luxemburg's book *The Accumulation of Capital* (1912), which we will deal with later. Thus, in March 1913, he wrote to the publishers of the Russian journal *Sotsialdemokrat*, which was published in Paris: 'I have just read Rosa's new book . . . She has got into a shocking muddle. She has distorted Marx. I'm very glad that Pannekoek, Eckstein and Otto Bauer have all condemned her book with one accord and used the same arguments which I already used against the Narodniks in 1899. I intend to write about Rosa in Number 4 of *Prosveshchenie*.'[94]

Unfortunately, Lenin never wrote the planned article. However, in his well-known essay on Marx, which was published in the Russian encyclopaedia *Granat* in 1915, we find the following bibliographical note: 'Marx's theory of the accumulation of capital is dealt with in a new book by R. Luxemburg. An analysis of her incorrect interpretation of Marx's theory can be found in Eckstein's discussions in *Vorwärts*. See also O. Bauer's article in *Neue Zeit* and Pannekoek's in the *Bremer Bürgerzeitung*.'[95]

Apart from the abnormally severe tone of Lenin's letter, which can largely be explained by the factional disputes at this time between the Bolsheviks and the 'Social Democracy of the Kingdom of Poland and Lithuania' (SDKPL), led by Luxemburg, what is noticeable about Lenin's comments is his complete agreement with the criticism of Rosa Luxemburg by the Austro-marxists Bauer and Eckstein. (The article by the Dutch leftist Pannekoek does not carry any theoretical weight). But what is the source of this curious theoretical agreement between the spokesman of the most radical wing of marxism and

[92] Lenin, *Collected Works* Vol.3, p.47.

[93] Lenin, *Collected Works* Vol.4, p.161.

[94] Lenin, *Collected Works* Vol.35, p.94.

[95] Lenin, *Collected Works* Vol.21, p.90.

such exponents of social democratic 'neo-Harmonism' as Bauer and Eckstein? This situation certainly requires an explanation.

In this connection we should remember that in the years before the outbreak of the First World War Lenin's political sympathies lay more with Kautsky's 'Centre' than with the German 'Left' led by Luxemburg.[96] However, what is of interest to us is not the political, but the theoretical background to Lenin's attitude to Luxemburg's book. This background was clearly stated by Lenin himself, in the letter quoted above, in 1913. He adopted a position of solidarity with the Austro-marxist critics of Rosa Luxemburg for precisely the reason that their views coincided with the arguments he had put forward against the Narodniks in 1899; and he rejected Luxemburg's book not only because of its erroneous criticism of Marx's reproduction schemes, but also because its theoretical conception ran so counter to the version of the realisation theory which he himself had proposed. And it is evident that he still adhered to the version which he had defended alongside the Legal Marxists in the 1890s.[97]

However, the methodological aspect of the question is perhaps still more important. When the young Lenin wrote his treatise on the realisation problem neither Marx's *Theories* nor the *Grundrisse* were known to him: he could have had only a less than adequate insight into the methodologically very complex structure of Marx's economic work. We now know that according to Marx's plan for the

[96] Lenin wrote to Shlyapnikov on 27 November 1914: 'Rosa Luxemburg was right when she wrote, long ago, that Kautsky has the "subservience of a theoretician" – servility in plainer language, servility to the majority of the Party, to opportunism.' (Lenin, *Collected Works* Vol.35, p.169.)

[97] We should mention in this context that Lenin never attacked the fundamental basis of Bulgakov's or Tugan's ideas. On the contrary, he defended these ideas against their critics, and even recommended his readers 'who do not find it possible to become conversant with Volume II of *Capital* to study the presentation of Marx's theory of realisation in Bulgakov's book'. Lenin did admittedly criticise Tugan from time to time, but only because of his 'deviations' from Marx, and because he claimed that a contradiction existed between Volumes II and III of *Capital*. But even after this polemic he defended Tugan, Bulgakov and himself, against Struve's criticism that they had all derived the 'harmony of production and consumption' from Marx's schemes. He wrote: 'In my opinion, Struve's polemic against the above-mentioned writers is due not so much to an essential difference of views as to his mistaken conception of the content of the theory he defends . . . Neither Marx nor those writers who have expounded his theory and with whom Struve has entered into a polemic deduced the harmony of production and consumption from this analysis, but, on the contrary, stressed forcefully the contradictions that are inherent in capitalism and that are bound to make their appearance in the course of capitalist realisation.' (Lenin, *Collected Works* Vol.4, p.74.)

structure of the work, the first two volumes only figure as the analysis of '*capital in general*' and that consequently the results which Marx obtained in these volumes – although extraordinarily important – still had to be concretised and supplemented by a later stage of the analysis, that of '*capital in concrete reality*'. The early marxists, including Lenin, understandably overlooked this. It is no great surprise that Lenin rather exaggerated the theoretical validity and relevance of the analysis in Part III of Volume II of *Capital*, and tended to regard it as Marx's 'last word' on the theory of realisation. This also explains his attempts to reconcile the results of this analysis in a literal and scholastic fashion with the numerous passages in Volume III, which apparently contradicted it, and which Tugan and the Narodniks were so happy to rely on for their case.[98] (Tugan, so that by comparing the 'true' Marx of Volume II with the 'erring' Marx of Volume III, he could interpret the schemes of reproduction from Volume II in such an uncompromisingly harmonistic sense; the Narodniks, so that they could attribute Sismondi's underconsumption theory of crises to Marx – despite the schemes.) Nevertheless, in actual fact the exposition in Volume III in no way contradicts that in Volume II (Lenin was certainly correct on this point). It does, however, represent a further stage of the analysis; a stage at which the question is no longer that of the conditions for the equilibrium of the capitalist economy in its 'normal' course, but that of the causes of the necessary disturbances to this equilibrum, i.e. the analysis of crises and the tendency to breakdown which is inherent to capitalism. What follows from this is that the schemes of reproduction and the analysis of Volume II can in no way, on their own, offer the 'complete explanation' of the realisation problem, but can only do

[98] Additional proof is furnished by a quote from Lenin's polemic against Danielson. Danielson had used a note written by Marx and inserted by Engels – 'Note for future amplication' in Chapter XVI of Volume II of *Capital* – as proof of his case. Lenin writes: 'After the words quoted above, the note goes on to say: "However, this pertains to the next part", i.e. to the third part. What is this third part? It is precisely the part which contains a criticism of Adam Smith's theory of the two parts of the aggregate social product . . . and an analysis of the "reproduction and circulation of the aggregate social capital" i.e. of the realisation of the product. Thus, in confirmation of his views, which are a repetition of Sismondi's, our author quotes a note that pertains "to the part" which refutes Sismondi: "to the part" in which it is shown that the capitalists *can* realise surplus-value, and that to introduce foreign trade in an analysis of realisation is absurd.' (Lenin, *Collected Works* Vol.2, p.169.)

In fact, the entire remark would have been untenable if Lenin had known that Marx's reference had not referred to the 'next part' as meaning Section III of Volume II, but the 'Section on Competition' as envisaged in the original outline, which corresponded to the later Volume III of *Capital*.

this in connection with Marx's theory of crisis and breakdown. And it seems to us that the greatest deficiency in Lenin's theory of realisation is that he overlooked this fundamental fact.[99]

IV. HILFERDING'S INTERPRETATION OF MARX'S SCHEMES OF REPRODUCTION

We saw that Marx's analysis of the social reproduction process primarily assisted the Russian marxists of the 1890s in demonstrating the possibility and inevitability of capitalist development in Russia, in opposition to the Narodnik 'sceptics'. The situation was different in Germany and Austria, however, where this analysis was interpreted by the official theorists of social democracy to mean that capitalism could be extended without limit, and that it was not threatened by any kind of breakdown conditioned by its inner laws.

In fact, Hilferding, the most famous economist of the Austro-marxist school, wanted to read practically everything possible into the schemes in Volume II! Not only that if the reproduction of total social capital is to take place normally definite proportions have to be maintained between Departments I and II, production-goods' and consumption-goods' industries, which is self-evident from the schemes – but rather also that 'capitalist production and reproduction both on a simple and extended scale, can proceed undisturbed, *only* if these proportions are kept to'.[100] (As if proportionality were the only condition on which undisturbed reproduction depended!) But there is still more to come. Hilferding continues: 'It therefore in no way follows that the crisis has to have its origin in the underconsumption of the masses, which is inherent in capitalism. Nor does it follow from the schemes in themselves, that there is the possibility of a general overproduction of commodities: rather it is shown that any extension of production that can in fact take place with the available forces of production is possible.'[101]

Hilferding is of course right about the last point; the possibility of overproduction does not follow from the schemes 'in themselves', because they only, in fact, investigate the conditions for a normal, undisturbed course of reproduction. However, since the impossibility

[99] It was not until after this chapter was completed that the author saw the interesting essay *Rebels and Renegades* (1946) by the American socialist Paul Mattick, in which the criticism made here of Lenin's theory of realisation is to some extent anticipated.

[101] *ibid.*

[100] Rudolf Hilferding, *Das Finanzkapital*, 1927, p.318.

of overproduction also does not follow from these schemes, it is difficult to see what purpose is served by referring to them at all, i.e. what conclusions can be drawn from them as far as the actual capitalist world is concerned.

It naturally does not occur to Hilferding to deny the empirical facts of overproduction and the underconsumption of the masses, or the role which these facts play as moments in actual crises. What he is aiming at with his observation of the schemes 'in themselves' is something different: that in the last analysis only the proportional relation of the individual branches of production is decisive in the process of social reproduction. His disproportionality theory of crises, as well as his rejection of any breakdown theory, then follows quite consistently from this.

But let us look more closely at how Hilferding furnishes the evidence for this: he states at the beginning of the section on crises in his book, 'The expression "overproduction of commodities" in general says as little as the expression "underconsumption". One can only speak of underconsumption, understood strictly, in a physiological sense; by contrast, the expression has no meaning in economics, where it can only mean that society has consumed less than it has produced.[102] However, it is not easy to see how that can be possible if production has taken place in the correct proportions. Since the aggregate product is equal to constant capital plus variable capital plus surplus-value, (c + v + s), both v and s must be consumed, and the elements of constant capital used up must be replaced. It follows that production can be extended indefinitely, and this will never lead to the overproduction of commodities, i.e. to a situation in which more commodities, which in this context and for this standpoint means more use-values, more goods, are produced than can be consumed.'[103]

This is really a strange argument! Almost everything which Marx wrote on crises was intended to prove that it was just this periodically recurring overproduction which represented the 'basic phenomenon of crises',[104] and that this overproduction has its 'ulti-

[102] The illogicality of the concepts 'overproduction' and 'underconsumption' did not prevent Engels from characterising capitalism as an economic system which 'produces a far greater quantity of means of subsistence and means of development than capitalist society can consume because it keeps the great mass of the real producers artificially away from these means of subsistence and development.' (Letter to Lavrov, 12 November 1875, *Selected Correspondence*, p.285.)

[103] Hilferding, *op. cit.* p.300.

[104] *Theories* II, p.528.

mate cause in the poverty and restricted consumption of the masses'.[105] But now we discover that although this might apply in the crude world of fact, it does not apply in the 'for-itself' world of the schemes, and that consequently the expressions 'overproduction' and 'underproduction' have no meaning in political economy . . . but why?

Simply because the imaginary society in general, which Hilferding substitutes 'in this context' for the real world, could never produce too many use-values, goods, and because it is also in its power to eliminate any shortage of articles of consumption by a more proportional division of production! Of course, the concept of 'underconsumption' could only have a 'physiological meaning' for such a society. However, we are not discussing physiology here, but an economy – and not merely an economy in general, but a capitalist economy. That is, not society 'as such', but a class society, 'in which the mass of producers remains more or less restricted to necessities . . . in which consequently this great majority of producers remains more or less excluded from the consumption of wealth – insofar as wealth goes beyond the bounds of the necessary means of subsistence'[106] (which means nothing other than that they have 'underconsumed'); and in which, on the other hand, the ruling class (as distinct from the ruling classes of previous epochs) likewise have to subject their consumption to the drive for valorisation, i.e. to fulfil the role of a 'producer of overproduction'.[107] For this reason periodic crises of overproduction must occur in this society – even with the most perfect proportionality of the branches of production, and it is impossible to see what we could gain theoretically, by renaming these crises 'crises of disproportionality', or by equating the overproduction of commodities with the overproduction of 'goods'.

Let us leave to one side Hilferding's theory of crisis, which in our opinion merely represents another version of the critique offered by the Ricardian school[108] on the theory of crises of overproduction. Our concern is Hilferding's thesis that – 'as the schemes show' –

[105] *Capital* III, p.484.
[106] *Theories* II, p.528.
[107] *Theories* I, p.283.
[108] In Marx's critique of Ricardo's theory of crises we read: 'The word overproduction itself leads to error. So long as the most urgent needs of a large part of society are not satisfied, or only the most immediate needs are satisfied, there can of course be absolutely no talk of an overproduction of products – in the sense that the amount of products is excessive in relation to the need for them. On the contrary, it must be said that on the basis of capitalist production, there is constant underproduction in this sense . . . But overproduction of products and overproduction of commodities are two entirely different things. If Ricardo thinks that the commodity-form makes no difference . . . then this is in fact in line with his presupposition that the bourgeois mode of production is the absolute mode of production, hence it is a mode of production without any definite specific characteristics.' (*Theories* II, p.527.) And, further: 'All the objections which Ricardo and others raise against overproduction etc. rest on the fact that they regard bourgeois production either as a mode of production in which no distinction exists between purchase and sale . . . or as social production, implying that society, as if according to a plan, distributes its means of production and productive forces in the degree and measure which is required for the fulfilment of the various social needs . . . This explanation of overproduction in one field by underproduction in another field therefore means merely that if production were proportionate, there would be no overproduction. The same could be said if demand and supply corresponded to each other, or if all spheres provided equal opportunities for capitalist production and its expansion . . . i.e. if all countries which traded with one another possessed the same capacity for production (and indeed for different and complementary production). Thus overproduction takes place because all these pious wishes are not fulfilled.' (*ibid.* pp.528-29, 532.)

It is clear how much Hilferding's theory coincides, in its fundamentals, with Ricardo's.

'capitalist production could be extended indefinitely'. How does he prove this thesis? By presenting us with Marx's scheme for simple reproduction, where not only 'do the elements of constant capital used replace each other', but also 'where both v, and s are consumed' – i.e. where it is impossible to speak of a problem of the realisation of surplus-value!

Perhaps Hilferding made a slip of the pen; perhaps he actually meant the scheme for extended reproduction, and simply forgot to say that s is consumed individually as well as industrially? It is certainly consumed in this way in Marx's schemes. However, the fact that the cited scheme can be continued indefinitely does not mean that actual capitalist production 'could be extended indefinitely'. Hilferding simply neglects the fact that the schemes of reproduction in Volume II deliberately disregard technical progress i.e. the increase in the organic composition of capital, increase in the rate of surplus-value etc., and that the introduction of any one of these aspects would completely overturn them! This is convincing evidence of the kind of absurdities to which a confusion of the abstract schemes with actual capitalist reality must lead, especially, if like Hilferding, one tries to prove, on the basis of these schemes, that the idea of an economic breakdown of capitalism 'is in no way a rational idea'.[109] Marx's schemes of reproduction are simply a tool of analysis, and can-

[109] We refer here to the last chapter of Hilferding's work, in which he discusses the approaching breakdown of the imperialist policy of finance capital, 'which will be a matter of a political and social breakdown, not an economic breakdown, which is in no way a rational idea'. (*op. cit.* p.47.)

not therefore be used for such a purpose. As an alternative to Hilferding's disproportionality theory of crises we would like to cite a number of Marx's own comments on the subject of crises, which deal with the antithesis of production and consumption.

Thus Marx writes against Ricardo in the chapter on crisis in Volume II of *Theories*: 'He overlooks the fact that the commodity has to be converted into money. The demand of the workers does not suffice, since profit arises precisely from the fact that the demand of the workers is smaller than the value of their product, and that it [profit] is all the greater the smaller, relatively, is their demand.' In the long run 'the demand of the capitalists amongst themselves is equally insufficient . . . Overproduction arises precisely from the fact that the mass of the people can never consume more than the average quantity of necessities, that their consumption therefore does not grow correspondingly with the productivity of labour.'[110] This is because 'the mere relationship of wage-labourer and capitalist implies:

1. that the majority of the producers (the workers) are non-consumers (non-buyers) of a very large part of their product, namely of the means of production and the raw material;

2. that the majority of the producers, the workers, can consume an equivalent for their product only so long as they produce more than this equivalent, that is, so long as they produce surplus-value, or surplus-product. They must always be *overproducers*, produce over and above their needs, in order to be able to be consumers or buyers within the limits of their needs.'[111]

In another passage in the *Theories* we read: 'The whole process of accumulation in the first place resolves itself into *production on an expanding scale*, which on the one hand corresponds to the natural growth of the population, and on the other hand forms an inherent basis for the phenomena which appear during *crises*. The criterion of the expansion of production is *capital* itself, the existing level of the conditions of production and the unlimited desire of the capitalists to enrich themselves and enlarge their capital, but by no means *consumption*, which from the outset is inhibited since the majority of the population, the working people, can only expand their consumption within very narrow limits, whereas the demand for labour, although it grows *absolutely*, decreases relatively, to the same extent as capitalism develops.'[112]

Finally, from the same part of the *Theories: Overproduction* is

[110] *Theories* II, p.468.
[111] *ibid.* p.520.

specifically conditioned by the general law of the production of capital: to produce to the limit set by the productive forces, that is to say, to exploit the maximum amount of labour with the given amount of capital, without any consideration for the actual limits of the market or the needs backed by the ability to pay; and this is carried out through continuous expansion of reproduction and accumulation, and therefore constant reconversion of revenue into capital, while on the other hand, the mass of the producers remain tied to the average level of needs, and must remain tied to it according to the nature of capitalist production.'[113]

Marx remarks in the same sense in one of the manuscripts of *Capital*: 'Contradiction in the capitalist mode of production: the workers as buyers of commodities are important for the market. But as sellers of their own commodity – labour-power – capitalist society tends to keep them down to the minimum price. Further contradiction; the periods in which capitalist production exerts all its forces regularly turn out to be periods of overproduction, because production potentials can never be utilised to such an extent that more value may not only be produced but also realised; but the sale of commodities, the realisation of commodity capital and thus of surplus-value, is limited, not by the consumer requirements of society in general, but by the consumer requirements of a society in which the vast majority are always poor and must always remain poor.'[114]

However, the contradiction which we are discussing is pointed out most acutely in a passage in Volume III which has already been cited: 'The conditions of direct exploitation, and those of realising it, are not identical. They diverge not only in place and time, but also logically. The first are only limited by the productive power of society, the latter by the proportional relation of the various branches of production and the society's power of consumption. But this last-named is not determined either by the absolute productive power, or by the absolute consumer power, but by the consumer power based on antagonistic conditions of distribution, which reduce the consumption of the bulk of society to a minimum varying within more or less narrow limits. It is furthermore restricted by the tendency to accumulate, the drive to expand capital and produce surplus-value on an extended scale.' Consequently: 'the more productive power develops, the more it finds itself at variance with the narrow basis on which the conditions of consumption rest.'[115]

[113] *ibid.* pp.534-35.
[114] *Capital* II, p.320.
[115] *Capital* III, pp.244-45.

In another passage we read : 'Since the aim of capital is not to minister to certain wants, but to produce profits, and since it accomplishes this purpose by methods which adapt the mass of production to the scale of production, not vice versa, a rift must continually ensue between the limited dimensions of consumption under capitalism and a production which forever tends to exceed this immanent barrier.'[116] This is because 'as matters stand, the replacement of the capital invested in production depends largely upon the consuming power of the non-producing classes while the consuming power of the workers is limited partly by the laws of wages, partly by the fact that they are used only as long as they can be profitably employed by the capitalist class. The ultimate reason for all real crises remains the poverty and restricted consumption of the masses as opposed to the drive of capitalist production to develop the productive forces as though only the society's absolute capacity for consumption constituted their limit!'[117]

The above passages (to which many more could be added)[118] at least show the large role which Marx attributed to the contradiction between production and consumption, as the reason for crises of overproduction – although he was himself an opponent of the traditional 'underconsumption theory'. The following passage from *Capital* shows how he also, on the other hand, rejected the so-called disproportionality theory of crises : 'To say that there is no general

[116] *ibid.* p.256.
[117] *ibid.* p.484.
[118] Cf. for example *Theories* III, p.120: 'Ricardo here equates "productively" and "profitably", whereas it is precisely the fact that in capitalist production "profitably" alone is "productively", that constitutes the difference between it and absolute production, as well as its limitations. In order to produce "productively", production must be carried on in such a way that the mass of the producers are excluded from the demand for a part of the product. Production has to be carried on in opposition to a class whose consumption stands in no relation to its production – since it is precisely in the excess of its production over its consumption that the profit of capital consists.' And elsewhere : 'The fact that bourgeois production is compelled by its own immanent laws, on the one hand, to develop the productive forces as if production did not take place on a narrowly restricted social foundation, while, on the other hand, it can develop these forces only within these narrow limits, is the deepest and most hidden cause of crises, of the crying contradictions within which bourgeois production is carried on and which, even at a cursory glance, reveal it as only a transitional, historical form. This is grasped rather crudely but none the less correctly by Sismondi, for example, as a contradiction between production for the sake of production, and distribution, which makes an absolute development of productivity impossible.' (*Theories* III, p.84.)

overproduction, but rather a disproportion within the various branches of production, is no more than to say that under capitalist production the proportionality of the individual branches of production springs as a continual process from disproportionality . . . It amounts furthermore to demanding that countries in which capitalist production is not developed should consume and produce at a rate which suits the countries with capitalist production. If it is said that overproduction is only relative, this is quite correct; but the entire capitalist mode of production is only a relative one, whose barriers are not absolute. They are absolute only for this mode, i.e. on its basis. How could there otherwise be a shortage of demand for the very commodities which the mass of the people lack, and how would it be possible for this demand to be sought abroad, in foreign markets, to pay the labourers at home the average amount of necessities of life? This is only possible because in this specific capitalist interrelation the surplus-product assumes a form in which its owner cannot offer it for consumption, unless it first reconverts itself into capital for him . . . In short, all these objections to the obvious phenomena of overproduction (phenomena which pay no heed to these objections) amount to the contention that the barriers of *capitalist* production are not barriers of *production generally*, and therefore not barriers of this specific, capitalist mode of production. The contradiction of the capitalist mode of production, however, lies precisely in its tendency towards an absolute development of the productive forces, which continually come into conflict with the specific *conditions* of production in which capital moves, and alone can move.'[119]

So much then, on the so-called disproportionality theory.

V. ROSA LUXEMBURG'S CRITIQUE OF MARX'S THEORY OF ACCUMULATION

1. The historical and methodological background

Our discussion of Hilferding has illustrated how Germany's official marxist theory made use of the schemes of reproduction in Volume II. Although this theory seemed both radical and 'orthodox' in fact it simply led to a rejection of the theory of breakdown and to a Vulgar-Economic explanation of crises as mere crises of disproportionality. That is, completely in the spirit of Tugan and the

[119] *Capital* III, p.257.

Russian Legal Marxists! Rosa Luxemburg's book *The Accumulation of Capital*, whose central theme – disregarding the secondary and subsidiary material – involves stressing the idea of breakdown and hence the revolutionary kernel of marxism, can only be understood against this background. That is, as a reaction to the neo-harmonist interpretation of Marx's theory.

But why did this task fall to Rosa Luxemburg rather than Lenin? The explanation lies in the different historical situation of Russian and German marxism. In contrast to Russian marxists of the 1890s, whose theoretical interests were constrained by their struggle against Narodnik ideology and who were compelled to prove the viability of a Russian capitalism which was still in its infancy, Rosa Luxemburg lived and was politically active in a country in which capitalism had not only reached the summit of its power, but was already showing clear signs of its future decline; furthermore, her adversaries were not the disciples of a utopian peasant socialism, but a powerful workers' bureaucracy, strongly rooted in the masses, which despite its 'marxist' principles located itself squarely within the prevailing social order and hoped to achieve all its demands for social and political progress within its confines. Thus, whereas in Russia at the turn of the century it was still necessary to stress the inevitability and historical progressiveness of capitalist development, the task of the marxist left in Germany was just the opposite – to give prime place to the idea of the inevitable economic and political breakdown of the capitalist social order. Rosa Luxemburg's book was intended to fulfil precisely the latter theoretical task.

However, it in no way follows from this that we accept Rosa Luxemburg's specific theory of accumulation, according to which capital accumulation can only be explained by having recourse to the so-called 'third person', i.e. exchange with the non-capitalist milieu;[120] or that we regard her critique of Marx's schemes of reproduction as correct. On the contrary: it is regrettable that Luxemburg was only able to defend the concept of breakdown in the extreme form of a basically incorrect critique of Marx's theory of reproduction. It would nevertheless be pedantic to re-examine this critique,

[120] Of course, Marx was obliged to disregard the role of the 'third person', and factors extraneous to capital in general in his abstract analysis of the process of accumulation. This is why Luxemburg's critique is erroneous here. However, this does not mean that the 'third person' has to be left out at further stages of the analysis, as many of Luxemburg's opponents assumed, quite incorrectly. On the contrary, the actual process of the accumulation of capital can scarcely be understood with taking account of these factors.

which has long been recognised as incorrect, and whose main defect consisted in the fact that Luxemburg, without noticing it, continually fell back on the presuppositions of simple reproduction in the analysis of extended reproduction. What is more important, and educative, is to examine the reasons which led her to do this. Henryk Grossmann seems to have hit on the right idea when he wrote: 'It is to Rosa Luxemburg's great historical credit that – in conscious opposition and protest against attempts at distortion by the neo-Harmonists – she adhered to the basic idea of *Capital* and attempted to support it by demonstrating an absolute economic limit to the further development of the capitalist mode of production.' But, instead 'of examining Marx's reproduction scheme in the context of Marx's entire system, and his theory of accumulation, in particular . . . she unintentionally succumbed to the influence of those she wanted to oppose, i.e. she believed that Marx's scheme did in fact permit a limitless accumulation "ad infinitum in a circle – as in Tugan-Baranovsky's theory".' And because she considered that 'the possibility of limitless accumulation ad infinitum actually resulted from Marx's schemes of reproduction, and that Tugan, Hilferding and later Otto Bauer had *correctly* deduced this notion from the schemes, she abandoned it in order to save the concept of breakdown which originated in Volume I of *Capital*.'[121]

In our opinion Grossmann here goes far towards explaining Rosa Luxemburg's mistakes. In addition to this, however, her incorrect interpretation of the schemes of reproduction seems to have its roots in an insufficient understanding of the methodology of Marx's work. It is of course true, as Lukacs remarked, that Luxemburg was a 'genuine dialectician',[122] and this explains the great theoretical satisfaction which a study of her work provides. Despite this she clearly underestimated the so-called 'Hegelian inheritance' in Marx's thought,[123] and was therefore not entirely conscious of the real structure of his work. We have already dealt with her confusion of the distinction between individual capital and total social capital,

[121] Henryk Grossmann, *op. cit.* pp.20, 280-82.

[122] Lukacs, *History and Class Consciousness*, p.182. (Cf. the interesting essay by L.Basso, 'Rosa Luxemburg: The Dialectical Method', in *International Socialist Journal*, November 1966.)

[123] It may well have been the product of a passing mood and a feeling of annoyance at the sham orthodoxy of her critics when she wrote to her friend Diefenbach from prison on 8 March 1917: 'This [i.e. simplicity of expression] is generally to my taste, which, as in art or science, values only what is simple, peaceful and generous, which is why, for example, the famed Volume I of *Capital* with its Hegelian Rococo ornamentation is quite abhorrent to me at

with the much more important distinction between 'capital in general' and 'capital in reality' elsewhere,[124] and we do not therefore have to return to it here. We also know that she incorrectly compounded total social capital with capital as it concretely, historically exists. In her view, Marx's concept of a 'pure capitalist society' could only be of use in the study of the production and circulation process of individual capital; this concept would lose all meaning as soon as one turned to capitalist society as a whole, and in particular to the problem of the accumulation of the total social capital.

In other words, Rosa Luxemburg also misunderstood the role allotted to the model of a pure capitalist society in Marx's work. She did not grasp that it represented a heuristic device, intended to help in the illustration of the developmental tendencies of the capitalist mode of production, free from 'all disturbing accompanying circumstances'.[125] (From this standpoint the endless discussions as to the actual historical possibility of a pure capitalist society were completely irrelevant.) The methodological intent of this procedure is clear. If, even under the strictest assumptions, i.e. in the abstract model of a pure capitalist society, it is possible for surplus-value to be realised and for capital to accumulate – within certain limits – then there is no theoretical need to have recourse to external factors, such as foreign trade, the existence of a third person, or state intervention. In this sense Marx's model completely stood the test. And because Rosa Luxemburg overlooked this fact, she also neglected to realise that the results of the analysis of reproduction in Volume II could only be of a provisional nature, i.e. they needed to be supplemented at a later, more concrete, stage of the analysis.

Rosa Luxemburg's methodological error must seem all the more surprising in that she came very near to a correct understanding of the methodological assumptions behind Marx's schemes when she

the moment (which merits, from the party standpoint, 5 years' imprisonment and 10 years' loss of rights).' (Luxemburg, *Briefe an Freunde*, p.85.) However, this remark does show that Rosa Luxemburg sometimes overlooked the dialectical content hiding behind Marx's 'Hegelian style'.

[124] See pp.183ff above.

[125] 'In considering the essential relations of capitalist production', wrote Marx in the *Theories*, 'it can therefore be assumed that the entire world of commodities, all spheres of material production . . . are (formally or really) subordinated to the capitalist mode of production, for this is happening more and more completely, since it is the principal goal . . . On this premise – which expresses the limit of the process and which is therefore constantly coming closer to an exact presentation of reality – all labourers engaged in the production of commodities are wage-labourers, and the means of production in all these spheres confront them as capital.' (*Theories* I, pp.409-10.)

wrote: 'The premises which are postulated in Marx's diagram of accumulation accordingly represent no more than the historical tendency of the movement of accumulation and its final theoretical result. The process of accumulation strives everywhere to substitute simple commodity economy for natural economy, and the capitalist economy for the simple commodity economy, and to establish the exclusive and universal domination of capitalist production in all countries and for all branches of production.'[126]

And in Rosa Luxemburg's *Anti-Critique* we read: 'Marx himself never dreamed of presenting his own mathematical models as any sort of *proof* that accumulation was in fact possible in a society consisting solely of capitalists and workers. Marx investigated the internal mechanism of capitalist accumulation and established certain economic laws on which the process is based. He started roughly like this: if the accumulation of gross capital, that is, in the entire class of capitalists, is to take place, then certain quite exact quantitative relations must exist between the two large departments of social production: the production of the means of production and the production of means of consumption. Progressive expansion of production and, at the same time, progressive accumulation of capital – which is the object of it all – can only proceed unhindered if such relations are maintained so that the one large department of production continuously works hand-in-hand with the other. Marx sketched a mathematical example, a model with imaginary numbers, to illustrate his thoughts clearly and exactly, and he uses it to show that if accumulation is to proceed, then the individual points in the model (constant capital, variable capital, surplus-value) must behave in such and such a way to each other.'[127]

But if this is correct, if Marx's model was simply a tool for showing the conditions for equilibrium in an expanding capitalist economy in their pure form, then Rosa Luxemburg's assertion that it represents a 'bloodless abstraction' cannot be upheld; it simply proves that her critique of Marx's schemes of reproduction was also methodologically without foundation.

2. *The schemes of reproduction and technical progress*

We do not wish, however, to discuss merely what was defective in Rosa Luxemburg's critique: it also has its positive sides, which have mostly gone unmentioned by her detractors.

[126] Luxemburg, *op. cit.* p.417.

[127] Luxemburg, *Anti-Critique*, pp.68-69.

We mean by this her pointing out of the fact, already known to us, that Marx's schemes of extended reproduction disregard all those changes in the mode of production which are caused by technical progress – namely, the increasing organic composition of capital, the increase in the rate of surplus-value, and the rising rate of accumulation. As soon as one attempts to introduce these changes the conditions for equilibrium are disturbed, and the formula $cII + \beta\, cII = vI + \alpha\, I + \beta\, vI$ can no longer be employed.

Consider the following numerical example based on Tugan-Baranovsky's scheme for reproduction, which is intended to illustrate the extended reproduction of capital.

$$\begin{array}{ll} \text{I} & 840\,c + 420\,v + 210\,\alpha + 140\,\beta\,c + 70\,\beta\,v \\ \text{II} & 600\,c + 300\,v + 150\,\alpha + 100\,\beta\,c + 50\,\beta\,v \end{array}$$

This diagram corresponds to the general formula for equilibrium as,

$$600\,c\,\text{II} + 100\,\beta\,c\,\text{II} = 420\,v\,\text{I} + 210\,\alpha\,\text{I} + 70\,\beta\,v\,\text{I}$$

However, as soon as we increase the organic composition of the capital accumulating in each department from 2 : 1 to 3 : 1 we obtain the following result :

$$\begin{array}{ll} \text{I} & 840\,c + 420\,v + 210\,\alpha + 157.5\,\beta\,c + 52.5\,\beta\,v \\ \text{II} & 600\,c + 300\,v + 150\,\alpha + 112.5\,\beta\,c + 37.5\,\beta\,v \end{array}$$

In this instance a commodity surplus is produced in Department II, which can no longer exchange its $600 + 112.5\,\beta\,c = 712.5$ units of value without a remainder for $420\,v + 210\,\alpha + 52.5\,\beta\,v = 682.5$ units, but is left with an undisposable remainder of commodities amounting to 30 units. This corresponds to the fact that with a rising organic composition of capital fewer workers are taken on, and therefore social consumption cannot be expanded sufficiently to absorb the entire commodity-product of Department II.

Similar disturbances necessarily arise if the rate of surplus-value rises or if a larger portion of the newly created surplus-value is accumulated than in previous periods of production. In such cases the smooth progress of extended reproduction, as envisaged in the scheme, becomes impossible as the disproportion in the relations of exchange between the two departments, which comes about as a consequence of technical progress, must explode their previous proportionality.

We see then that 'if we take into consideration technical changes

in the mode of production, in the context of the advance of accumulation . . . it cannot come about without completely disrupting the basic relations of Marx's scheme'.[128] Rosa Luxemburg is undoubtedly right on this point. However, it cannot be concluded from this 'failure' of the schemes of reproduction (as she supposed), that accumulation is completely 'impossible', but simply that any revolution in the productive forces which takes place on a social scale must bring the given state of equilibrium of the branches of production to an end and lead, via all kinds of crises and disturbances, to a new temporary equilibrium. Therefore the results of Rosa Luxemburg's critique are only the necessary limits of the area within which Marx's schemes are valid – schemes which are deliberately confined to the investigation of the relations of equilibrium of extended reproduction under constant conditions of production and which must therefore disregard all the moments which alter these conditions. But if one still wanted to introduce the changes in the mode of production which result from the rising productivity of labour, this would only prove how the hypothetical conditions of the normal course of reproduction 'change into so many conditions of abnormal movement, into so many possibilities of crisis',[129] which in no way belonged to the tasks of the analysis in Volume II of *Capital*.

However, doesn't this underestimate the importance of this analysis? Not at all. It is clear that Marx's model of extended reproduction in a condition of equilibrium in pure capitalism was not supposed to be a true reflection of the concrete capitalist world, nor could it be. For one thing, it leaves to one side the anarchy of production which rules in actual capitalism, and furthermore it takes no account of the conflict between production and consumption which is inseparable from the essence of capitalist production. Consequently, the proportional development of the various branches of production, and the equilibrium between production and consumption, can only be obtained, in this mode of production, in the midst of continuous difficulties and disturbances. Naturally, this equilibrium must at least be attained for short periods of time, or else the capitalist system could not function at all. In this sense, however, Marx's schemes of reproduction are in no way a mere abstraction, but a piece of economic reality, although the proportionality of the branches of production postulated by these schemes can only be temporary, and 'spring as a continual process from disproportionality'.[130]

[128] Luxemburg, *Accumulation of Capital*, p.339.
[129] *Capital* II, p.499.
[130] See the quotation from *Capital* on p.490 above.

3. *The neo-Harmonist applications of the schemes*

The fact that the formula for the equilibrium of extended reproduction, which forms the basis of Marx's schemes, only applies to accumulation under constant conditions of production, induced several authors to undertake painstaking mathematical work in order to show that the 'failure' of this formula does not follow from the formula itself, but results from the far too strict assumptions to which Marx tied his schemes; and that consequently, with an appropriate modification of these assumptions, a scheme of extended reproduction could be constructed, which, even taking into consideration technical progress, would exhibit a permanent equilibrium between the two departments of social production. What lurks behind all these attempts – although its original proponents were not always aware of this – is the desire to present the reproduction and accumulation of capital as an automatic and permanent process, which does not encounter any of the barriers which originate in the nature of the capitalist mode of production, and which could not, therefore, lead to an economic breakdown of this mode of production.

The best-known example of this kind is the scheme of reproduction set out by Otto Bauer in his critique of Rosa Luxemburg,[131] the intention of which is to prove the possibility of an undisturbed progress of accumulation, even with a constantly rising organic composition of capital. In order to accomplish this, Otto Bauer (like Tugan-Baranovsky before him) must drop one of the basic assumptions of Marx's schemes: namely the assumption that the only relation between Departments I and II is the mutual exchange of their respective products. Instead he allows Department II, which is always left with an undisposable remainder of commodities as a result of the technical changes caused by the rising organic composition of capital, to 'invest' each year a sum of money corresponding to the value of this remainder in Department I, so that the latter extends its production and buys the real remainder of commodities in the next year. In this way both departments of social production are able to grow and accumulate without a discrepancy arising in the value of the products to be exchanged by them and without the perpetual motion of capital accumulation threatening to come to a standstill.

These are the main points of Bauer's method. It is clear that his numerical example only apparently represents a further development of Marx's scheme of reproduction. For he could have demonstrated what he wanted to prove just as well by means of an industrial combine which sets up a subsidiary agricultural-industrial concern in order to provide the combine's workers and capitalists with the necessary means of subsistence. In the book-keeping of the complex the auxiliary plant could figure as 'Department II', which regularly 'invests' a part of its surplus-value in the main plant and 'exchanges' the means of subsistence produced by it for the machines from the main plant. However, such 'investments' and 'exchanges' would be of a purely fictitious nature and it is difficult to see what such calculations could contribute to the understanding of the actual process of reproduction in the real capitalist world.[132]

[131] Otto Bauer, *'Die Akkumulation des Kapitals'*, in *Die Neue Zeit*, 1913.

But isn't Otto Bauer's scheme of reproduction more 'realistic' than Marx's? Isn't it in fact true that in actual capitalist society portions of the surplus produced in one particular department are constantly transferred to other branches of production to be invested there? Shouldn't we therefore regard Otto Bauer's procedure as a considerable improvement on Marx's?

This is clearly the opinion of the Polish political economists Otto Lange and T.Kowalik. The latter writes: 'As far as the transfer of accumulation from one department to the other is concerned, history has without doubt proved Otto Bauer to be correct, for in economic practice capital is transferred both in its material and in its money-form.' Thus 'a considerable portion of social production can be used alternatively in the role of means of production as well as for the aim of personal consumption', and this fact is confirmed by the 'practice of the socialist countries, where' (Kowalik quotes Lange here) 'accumulation primarily takes place in Department II, but the main part of this accumulation is invested in Department I.'[133]

We can disregard here Kowalik's naïvely-empiricist attitude! He seems to believe that questions of pure theory – such as the question of the hypothetical equilibrium in the capitalist society of Marx's diagrams! – can be decided by reference to the practice of 'the socialist countries' (or any practice). What can be said on his argument itself is this: as far as the transfer of capital in its material form

[132] The reader will recall the objection raised by Luxemburg against Marx's schemes of reproduction, according to which 'accumulation in Department II is completely dominated and determined by that in Department I'. Although this is wrong in relation to Marx, it is correct in relation to Bauer, as Department II in his scheme does appear to be no more than a mere appendage to Department I and merely serves the constant expansion of the latter.

[133] T.Kowalik, *op. cit.* p.208.

is concerned Kowalik has clearly overlooked the fact that products which can be employed either as means of production or as means of consumption are excluded from Marx's schemes from the outset. We read on this subject in *Capital* II : 'Nor does it change matters if a part of the products of II is capable of entering into I as means of production. It is covered by a part of the means of production supplied by I, and this portion must be deducted on both sides at the outset, if we wish to examine in pure and unobscured form the exchange between the two large classes of social production, the producers of means of production and the producers of articles of consumption.'[134]

Thus the 'transfer of capital in material form' cannot get us over the difficulties raised by Rosa Luxemburg. And of equally little help is the transfer of capital in money-form, which underlines Bauer's method – regardless of how much it corresponds to the everyday practice of the capitalists – since this transfer has been practised since time immemorial, without any regard to the changes caused by technical progress. Therefore, in methodological terms, there is no reason at all to introduce it if the formula for the equilibrium of extended reproduction seems to fail; that is, when the issue is that of the difficulties of realisation which arise as a result of the increase in the organic composition of capital! Why did Marx himself not resort to the mode of capital transfer recommended by Otto Bauer, instead of drawing up schemes with such complicated quantitative relations in the two Departments? The answer is simple : because he wanted to use these schemes to show how the antinomy of use-value and exchange-value can be, and is, resolved at a social level. However, this can only be shown if the industries making production-goods and consumption-goods are considered as completely autonomous departments of social production which can only obtain their respective products by means of exchange, and only in this way accomplish the social change of form and matter.

This is enough on the methodological deficiences of the solution to the problem proposed by Otto Bauer. Our primary interest here is the question as to whether he is able to prove what he wants to prove with the aid of his method – namely the possibility of an unlimited accumulation of capital.[135] A moment's reflection

[134] *Capital* II, p.525.

[135] Of course Bauer denies that his schemes have this goal. He writes: 'This presentation cannot be regarded as an apology for capitalism, for whereas the apologists would want to prove the limitlessness of accumulation – that consumer power grows automatically with production – we on the other hand reveal the limit which is set to accumulation.' (*Die Neue Zeit*, 1913, p.887.)

shows that this attempt is bound to fail. That is, if the scheme for extended reproduction is constructed under the assumption of a constantly rising organic composition of capital then sooner or later one must arrive at a completely unrealistic and economically meaningless hypertrophy of Department I, i.e. the production of the means of production. Otto Bauer does precisely this : In order to express the growth in the organic composition of capital he allows society's variable capital to grow by 5% per year, but constant capital to grow by 10% annually. These differing rates of growth come about because the organic composition of newly-accumulated capital in his scheme is considerably higher than capital which has been invested previously. (And because, besides this, Bauer assumes the rate of surplus-value to be constant, he must add an ever larger portion of surplus-value to the accumulation fund.)

Bauer begins with the following diagram, which, for the sake of clarity, we express in Bukharin's symbols.

	c		v		s					
					α		βc		βv	
I	120,000	+	50,000	+	37,500	+	10,000	+	2,500	= 220,000
II	80,000	+	50,000	+	37,500	+	10,000	+	2,500	= 180,000
	200,000	+	100,000	+	75,000	+	20,000	+	5,000	= 400,000

The general formula for equilibrium is in keeping with this diagram since 80,000 c + 10,000 β c = 90,000 units of value of Department II can be exchanged for 50,000 v + 37,500 α + 2,500 β v = 90,000 units of value from Department I.

Despite this the capitalists would be in a predicament if they wanted to invest the surplus-value obtained in the first year in the proportions shown above in the same departments in which it was

However, if one searches for this 'limit to accumulation' it turns out that he only means 'the tendency for accumulation to adjust itself to the increase in population'. He writes: 'The increase of productive capital in the country itself always remains limited by the growth of the available working population : variable capital can never grow faster than the population, and constant capital can only grow more rapidly than variable capital in a proportion determined by the level of development of the productive forces.' (*ibid.* pp.871-72.) However, if this is the case, if the accumulation of capital collides only with the barrier of 'available working population' which shows itself temporarily in the prosperity phase of the industrial cycle, then this accumulation can proceed into eternity, and Bauer's disavowal of apologetics is simply a pious wish.

produced, as we would then obtain the following product values in the second year:

	c	v	s			
			α	βc	βv	
I	130,000 +	52,500 +	39,375 +	10,500 +	2,625	= 235,000
II	90,000 +	52,500 +	39,375 +	10,500 +	2,625	= 195,000
	220,000 +	105,000 +	78,750 +	21,000 +	5,250	= 430,000

However, in this case 90,000 c II + 10,500 β c would equal 100,500 units of value, whereas Department I would only have 52,500 v + 39,375 α + 2,625 β v = 94,500 units of value to transfer. Thus, an undisposable remainder of commodities would remain in Department II – a remainder which would get larger every year, and which would eventually lead to a crisis in the disposal of the product.

This does not occur in Bauer's scheme, however, because the capitalists in Department II invest a portion of their surplus-value in Department I, instead of proceeding with the production process according to the above diagram. Bauer says they can do this either by setting up new factories to produce means of production, or by buying up the shares in existing factories. In fact according to Bauer's calculation the production process in the second year must be continued in the following value composition, after the capital transfers from Department II to Department I:

	c	v	s			
			α	βc	βv	
I	134,666 +	53,667 +	39,740 +	11,244 +	2,683	= 242,000
II	85,334 +	51,333 +	38,010 +	10,756 +	2,567	= 188,000
	220,000 +	105,000 +	77,750 +	22,000 +	5,250	= 430,000

If the above quantitative relations are established by transfers of capital the general formula for equilibrium can once more be applied, since 85,334 c II + 10,756 βc II = 96,090, and 53,667 v I + 39,740 α I + 2,683 β v I = 96,090. And since Bauer from this point onwards allows the capitalists of Department II annually to invest their excess surplus-value in Department I, at first sight it seems as if the numerical example could carry on *ad infinitum*.

In reality, however, this is nothing other than Tugan's 'carousel' – namely the production of machines for its own sake. Not unexpectedly the production of the means of production increases enormously rapidly in Bauer's diagram – whereas the production of consumption goods only increases slowly. Admittedly Otto Bauer's scheme only continues for four years; but Henryk Grossmann took the trouble to extend the same scheme up to 35 years. And in the 20th year the following value composition for the aggregate product of Departments I and II is the result:

1,222,252 c + 252,691 v + 117,832 α + 122,225 βc + 12,634 βv = 1,727,634.

These figures show that the total social product has grown to 1,727,634, of which, however, only 383,157 are intended for human consumption, whereas the other 1,344,477 have to be thrown back into production as constant capital! And all this simply to secure the undisturbed disposal of the capitalists' commodities and a frictionless course for Bauer's scheme! . . .

Such a hypertrophy of the production of means of production, without a corresponding increase in social consumption, as necessarily follows from Bauer's scheme, is surely incompatible with the spirit of Marx's theory. Marx pointed out that 'constant capital is never produced for its own sake but solely because more of it is needed in spheres of production whose products go into individual consumption'.[136]

It is sufficient to confront this passage with Bauer's scheme to see to what extent it in fact amounts to the same thing as Tugan's 'carousel'.[137]

It could naturally be objected that the extremely rapid pace at which the production-goods industries overtake the consumption-goods industries in Bauer's scheme is to be attributed to the unrealistic rates of growth of 10% in Department I and 5% in Department II which Bauer assumes. However, if one insists on constructing a scheme which is supposed to reflect the rising organic composition of capital, and despite this to show a frictionless course for capitalist accumulation, the first department must be allowed to grow faster than the second; so that – even if a smaller discrepancy between the rates of growth of the two departments was to be assumed than that in Bauer's scheme – one would attain the same absurd result, although after a longer period of time.

[136] *Capital* III, p.305.

[137] As we discover from Kowalik's dissertation, Bauer's essay containing the scheme has been printed several times in the Soviet editions of Luxemburg's works – evidently to serve as a kind of antidote. For example, in the 1934 Edition, pp.339-58.

But this is not all. Already in those few years for which Bauer continues his scheme it becomes clear that the growing organic composition of capital leads to the progressive fall in the rate of profit. In Bauer's example the profit rate has already fallen from 33.3% to 30.3% in the fourth year (s : (c + v)). It is now an easy task for Grossmann to prove mathematically that on the basis of Bauer's assumptions the capitalist system would have to break down in Year 35, because the relation of surplus-value to capital employed would have fallen so much that the capitalist class could no longer accumulate!

At this point we should remember that in Bauer's example the growth of relative surplus-value, which is supposed to accompany the increased organic composition, is not considered. However, can't the fall in the rate of profit be compensated for by the increase in relative surplus-value? As we already know from our study of the *Grundrisse* this question has to be answered in the negative. Marx refers there to the fact that the increase of relative surplus-value cannot be extended indefinitely, since, with technical progress, not only does the paid portion of the working day fall (and it has to fall) but so too does the relation of total living labour to the labour objectified in the means of production.[138] Therefore Bauer's scheme must eventually exhibit a progressive fall in the rate of profit – and with this lead to a collapse of the capitalist system – even if he had taken the rising rate of surplus-value into account.

What this shows in fact is that if one tries to replace Marx's model of extended reproduction by a model which takes into consideration as many factors as possible from capitalist reality, one very soon comes up against the barriers which are set to capitalist production by the nature of capital itself. It is not all surprising that Henryk Grossmann could use Bauer's scheme to prove that a tendency to breakdown is inherent in capitalism.[139] (In this sense Otto Bauer's scheme of reproduction can be characterised as his contribution – if unintended! – to the 'breakdown theory'.)

Conclusion

What is the result of our investigation? It is enough here to confine ourselves to a brief resumé of the foregoing.

The first conclusion which emerges from the decades-long

[138] Cf. p.409 above.

[139] See Grossmann, *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, 1929.

dispute over Marx's schemes of reproduction is clearly that these schemes should in no way be seen as a mere 'torso', as a theoretical experiment which Marx was unable to 'complete' because of a lack of time. On the contrary, everything indicates that Marx himself never intended to go beyond the form of the schemes of reproduction as they are in Volume II of *Capital* and that it is therefore senseless to expect more than they can actually accomplish. We have stressed several times that Marx's schemes only deal with the hypothetical conditions for the equilibrium of extended reproduction with constant conditions of production, and yet, despite their abstractness, represent a 'piece of economic reality'. Of course, in the actual capitalist world the extended reproduction and accumulation of capital is accomplished 'through a progressive qualitative change in its composition, i.e. through a constant increase of its constant component, at the expense of its variable component',[140] and this process is accompanied by the uneven extension of the domain of relative surplus labour i.e. by the increase in the fate of surplus-value. One should not forget however that this constant change in the mode of production is 'constantly interrupted by periods of rest, during which there is a merely quantitative extension . . . on the existing technical basis', by means of 'intermediate pauses in which accumulation works as simple *extension* of production'.[141]

And it is for such 'pauses' that the schemes of reproduction in Volume II are valid, showing the possibility of extended reproduction through the mutual adjustment of the production-goods and consumption-goods industries, and hence also the possibility of the realisation of surplus-value. However, all this could have been demonstrated without it being necessary also to include in the analysis of Volume II the factor of technical progress, which is expressed in the increase in the composition of capital.

However, couldn't Marx have gone further and elaborated the conditions for equilibrium of extended reproduction under the assumption of a constantly changing mode of production? We think we have shown that this was not possible, and the unsuccessful attempts at a solution by Tugan-Baranovsky and Otto Bauer only confirm this view. For, as soon as one attempts to introduce technical

[140] *Capital* I, p.781 (629).

[141] *ibid.* pp.578, 782 (450), (629). A similar view is expressed in the *Theories*: 'During the examination of reproduction, it is, in the first place, assumed that the method of production remains the same and it remains the same, moreover, for a period while production expands. The volume of commodities produced is increased in this case, because more capital is employed and not because capital is employed more productively.' (*Theories* I, p.522.)

progress into the schemes of reproduction, the conditions for equilibrium of reproduction turn into conditions for the disturbance of equilibrium, and any scheme which tries to get around this obstruction must turn out to be an economically insignificant 'mathematical exercise'. And this result, for which we have to thank Rosa Luxemburg, is irrefutable.

The second important result to which our investigation has led consists in the finding that the schemes of reproduction of Volume II merely represent one phase – although an extremely important one – in Marx's analysis of the social reproduction process, and that they consequently need to be supplemented by Marx's theory of breakdown and crises. What follows from this is that these schemes can only be understood in the total context of Marx's theory. (Here too, the concept of the totality proves itself to be methodologically crucial.) In fact the disturbances to the equilibrium of reproduction brought about by technical progress seem, in the first instance, only to prove that the course of capitalist production must repeatedly lead to crises, and consequently to the replacement of the prevailing temporary equilibrium by a new, equally temporary, equilibrium.

However, in reality they prove even more; namely that the contradictions of the capitalist mode of production, which are expressed in just these disturbances and in the tendency of the rate of the profit to fall, which they accelerate, are reproduced at a constantly higher level until finally the spiral of capitalist development reaches its end. And in this respect the apparently scholastic dispute over the interpretation of Marx's reproduction schemes must be regarded as positive and theoretically fruitful, despite all its errors and false conclusions.

31.
The Problem of Skilled Labour

I. BÖHM-BAWERK'S CRITIQUE

1. The problem of 'skilled' or 'complex' labour has probably been one of the most eagerly discussed in marxist economics. This is where Marx's critics thought they had discovered the crucial error in his theory of value; an error which from the outset disqualified it as a scientific theory. And what does this fatal error consist in? Simply in the fact, so the critics think, that Marx was unable to prove his thesis of the reduction of skilled labour to simple average labour, and, driven into an impasse, sought refuge in a circular explanation. Thus, he writes in *Capital*: 'More complex labour counts only as intensified, or rather multiplied simple labour, so that a smaller quantity of complex labour is considered equal to a larger quantity of simple labour.' And immediately after: 'Experience shows that this reduction is constantly being made. A commodity may be the outcome of the most complicated labour, but through its value it is posited as equal to the product of simple labour, hence it represents only a specific quantity of simple labour. The various proportions in which different kinds of labour are reduced to simple labour as their unit of measurement are established by a social process that goes on behind the backs of the producers; these proportions appear to the producers to have been handed down by tradition. In the interests of simplification we shall henceforth view every form of labour-power directly as simple labour-power; by this we shall simply be saving ourselves the trouble of making the reduction.'[1]

Böhm-Bawerk devotes no less than seven pages to this passage in his well-known criticism of Marx. He begins: 'The fact with which we have to deal is that the product of a day's or an hour's skilled labour is more valuable than the product of a day's or an hour's unskilled labour; that, for example, the day's product of a sculptor is equal to the product of five days of a stone-breaker. Now, Marx tells us that things made equal to each other in exchange must contain "a common factor of the same amount" and this common factor must

[1] *Capital* I, p.135 (44).

be labour and working-time. Does he mean labour in general? Marx's first statements [up to page 138 (45)][2] would lead us to suppose so; but it is evident that something is wrong, for the labour of five days is obviously not the "same amount" as the labour of one day. Therefore Marx in the case before us is no longer speaking of labour as such, but of unskilled labour. The common factor must therefore be the possession of an equal amount of labour of a particular kind, viz. unskilled labour. If we look at this dispassionately, however, it fits still worse, for in sculpture there is no "unskilled" labour at all embodied, much less therefore unskilled labour equal to the amount in the five days' labour of the stone-breaker. The plain truth is that the two products embody different kinds of labour in different amounts!'

'Marx certainly says that skilled labour "counts" as multiplied unskilled labour, but "to count as" is not "to be", and the theory deals with the being of things. People may naturally consider one day of a sculptor's work as equal in some respects to five days of a stone-breaker's work, just as they may also consider a deer as equal to five hares. But a statistician might with equal justification maintain with scientific conviction there were 1000 hares in a cover which contained 100 deer and 500 hares, as a statistician of prices or a theorist of value might seriously maintain that in the day's product of a sculptor five days of unskilled labour are embodied, and that this is the true reason why it is considered in exchange to be equal to five days' labour of a stone-breaker.'

This leads on to a long example as to what might be proved, 'if we resorted to the verb "to count" whenever the verb "to be" etc. landed us in difficulties'. However, we can easily dispense with this example for – as we shall soon see – the entire 'substitution', for which Marx was allegedly responsible, is based on mere hair-splitting. However, we now come to Böhm's main argument. Marx – he reminds us – appeals to 'experience' and 'the social process behind the backs of the producers', which supposedly 'proves' the reducibility of skilled labour to unskilled, average labour. However, it is at precisely this point, considers Böhm, 'that we stumble against the very natural, but for the marxian theory very compromising circumstance that the standard of reduction is determined solely by the *actual exchange relations themselves*. But in what proportions skilled labour is to be translated into terms of simple labour in the valuation of their products is not determined nor can it be determined *a priori* by any property inherent in the skilled labour itself. It is

[2] That is, up to the section dealing with qualified labour.

rather the actual result alone which decides the actual exchange relations. Marx himself says: "their value makes them equal to the product of unskilled labour", and he refers to a "social process beyond the control of the producers which fixes the proportions in which different kinds of labour are reduced to unskilled labour as their unit of measure", and says that these proportions therefore "seem to be given by tradition".' However, 'under these circumstances what is the meaning of the appeal to "value" and the "social process" as the determining factors of the standard of reduction? Apart from everything else it simply means that Marx is arguing in a complete circle. The real subject of inquiry is the exchange relations of commodities; why for instance a statuette which has cost a sculptor one day's labour should exchange for a cart of stones which has cost a stone-breaker five days' labour, and not for a larger or smaller quantity of stones, in the breaking of which ten or three days' labour have been expended. How does Marx explain this? He says the exchange relation is this, and no other – because one day of sculptor's work is reducible exactly to five days' unskilled work. And why is it reducible to exactly five days? Because experience shows that it is so reduced by a social process. And what is this social process? The same process that has to be explained; that very process by means of which the product of one day of sculptor's labour has been made equal to the value of the product of five days of common labour. But if as a matter of fact it were exchanged regularly against the product of only three days of simple labour Marx would equally bid us accept the rate of reduction of 1 :3 as the one derived from experience and would found upon it and explain by it the assertion that a statuette must be equal in exchange to the product of exactly three days of a stone-breaker's work, not more and not less. In short, it is clear that we shall never learn in this way the actual reasons why products of different kinds of work should be exchanged in this or that proportion. Marx tells us, though in slightly different words, because according to experience they do exchange in this way!' Böhm-Bawerk concludes: 'These are the two ingredients of the marxian recipe . . . : the substitution of "to count" for "to be" and the explanation in a circle which consists in obtaining the standard of reduction from the actually existing social exchange relations which themselves need explanation. In this way Marx has settled his accounts with the factors that most glaringly contradict his theory.'[3]

This then is Böhm-Bawerk's argument, which has been repeated

[3] Böhm-Bawerk, *Karl Marx and the Close of his System* (1896), ed. P.Sweezy, Clifton: Augustus Kelley 1973, pp.81, 82, 83, 86.

so often since then that it now belongs to the 'indispensable fund' of every academic and non-academic critic of Marx.[4] To begin with, we must object to one detail in his argument – namely that he selects a sculptor to be the representative of skilled labour. Such an example only serves to confuse any discussion of Marx's theory of value because Marx, from the outset, excluded 'artistic workers' from the scope of his work, i.e. from his theory of value.[5] Let us therefore leave the sculptor to one side (whether he be a Cellini, as in Böhm's example, or not) and go back to Ricardo's original comparison between a jeweller and a 'common labourer'.

It is clear that their respective products – disregarding the labour objectified in the raw materials and means of labour – 'embody different kinds of labour in different amounts'. However, isn't this also the case if we compare, for example, the labour of a stone-breaker with that of a bricklayer, a car worker or a porter, as any simple, unskilled labour is, depending on its specific properties, different from every other unskilled labour? This is surely not a unique property of skilled labour as such. On the other hand the amount of value-creating labour in the products of the stone-breaker, bricklayer or car worker is in no way known from the outset, even if we know that they have all worked for the same amount of time, for we do not yet know whether they have produced their product under 'socially normal conditions of production' and with the 'socially average level of skill and intensity of labour'. (For example, if the labour of a textile worker from a particular firm is especially productive or intensive, then it might be that the product of half a day of his labour might exchange for an entire day's work by a stone-breaker.) In order for their products to be measured as values, the various labours contained in these products must be reduced to 'undifferentiated uniform human labour'; 'only then can the amount of labour embodied in them be measured according to a common measure, according to time'.[6]

It is inexplicable why these qualitative and quantitative distinctions between the work of different workers only occurred to Böhm-Bawerk when he came to look at skilled labour. Or is this a case of the prejudices of the 'educated classes', according to which

[4] One critic who repeats it is Rudolf Schlesinger, author of *Marx, His Time and Ours* (1950). He writes (p.129): 'This problem is certainly the most serious difficulty met by an inherent criticism of marxist economics . . . Should no one succeed in solving the problem', then Marx's theory of value must surely be finally laid to rest.

[5] Cf.*Capital* III, pp.759, 633; and *Theories* I, p.267-68, 410-11.

[6] *Theories* III, p.135.

the labour of certain 'higher professions' (e.g. sculptors) – which on the one hand are not to count as 'unproductive', but on the other should be distinguished from all other labours – are fundamentally distinct from those of the 'common labourer'? So distinct that the latter can be easily reducible to 'undifferentiated uniform human labour', but not the former? Be that as it may, in this respect Böhm proves too much, and consequently too little as well. He fails to notice that according to his formulation the main attack should be directed at Marx's concept of 'undifferentiated human labour' and should not be confined to the special case of skilled labour, to which Marx later applied this concept. This is because one cannot possibly prove an exception to the rule with arguments which destroy the rule itself. Either, the reasons mentioned by Böhm are correct, in which case no labour is reducible to general human labour, and it is also superfluous to demonstrate this with special reference to skilled labour; or, they are not valid and other reasons must be found for giving a special status to skilled labour.

The same can also be said for Böhm-Bawerk's remaining objections, since the reduction of all labour to 'undifferentiated human labour', which underlies Marx's concept of value, is in no way given from the outset, but takes place by means of a 'social process behind the backs of the producers'; and Marx adds on the subject of this reduction: 'The total labour-power of society, which is manifested in the values of the world of commodities, counts . . . as one homogeneous mass of human labour-power, although composed of innumerable individual units.'[7] Therefore why not raise the reproach of a 'substitution' of 'to be' by 'to count' and of the 'circular argument' here, at the source of Marx's concept of value; why reserve these objections for the secondary question of skilled labour?!

2. Thus Böhm's investigation leads us back to the concept of 'undifferentiated' or 'abstract human' labour. What role does this concept play in Marx's theory of value?

At first glance it is obvious that in immediate reality human labour is as diverse as the goods which it produces. 'Let us suppose that one ounce of gold, one ton of iron, one quarter of wheat and twenty yards of silk are exchange-values of equal magnitude . . . But digging gold, mining iron, cultivating wheat and weaving silk are qualitatively different kinds of labour. In fact, what appears objectively as diversity of the use-values, appears, when looked at dynamically, as diversities of the activities which produce those use-values.'

[7] *Capital* I, p.129 (39).

But this is not all: 'Different use-values are, moreover, products of the activity of different individuals and therefore the result of individually different kinds of labour.'[8] How, then, should labour serve as a common measure of values in the face of the diversity of particular human labours?

This is a problem which was neglected by Ricardo and the other Classical economists, and was first solved by Marx. His analysis of the exchange relation led to the conclusion that as exchange-values, commodities do not contain 'an atom of use-value', and that their value represents 'something purely social'.[9] As exchange-value the economic good is 'no longer a table, a house, yarn or any other useful thing'; but neither 'can it any longer be regarded as the product of the labour of the joiner, the mason or the spinner, or of any other particular kind of productive labour. With the disappearance of the useful character of the products of labour, the useful character of the kinds of labour embodied in them also disappears; this in turn entails the disappearance of the different concrete forms of labour. They can no longer be distinguished, but are all together reduced to the same kind of labour, human labour in the abstract.'[10]

It can be seen: 'Equality in the full sense between different kinds of labour can be arrived at only if we abstract from their real inequality, if we reduce them to the characteristic they have in common, that of being the expenditure of human labour-power, of human labour in the abstract.'[11] At first sight this appears as a purely ideal result; however, in reality this abstraction 'is made every day in the social process of production . . . The conversion of all commodities into labour-time is no greater an abstraction, and is no less real, than the resolution of all organic bodies into air. Labour, thus measured by time, does not seem, indeed, to be the labour of different persons, but on the contrary the different working individuals seem to be mere organs of this labour . . . This abstraction, human labour in general, *exists* in the form of average labour which, in a given society, the average person can perform, productive expenditure of a certain amount of human muscles, nerves, brain etc. It is *simple*

[8] *Contribution*, p.29.

[9] *Capital* I, pp.127, 138, 148, 176-77 (37, 47, 56, 83). Cf. *Theories* III, p.296. 'Use-value expresses the natural relationship between things and men, in fact the existence of things for men. Exchange-value, as the result of the social development which created it, was later superimposed on the word value, which was synonymous with use-value.'

[10] *Capital* I, p.128 (38).

[11] *Capital* I, p.166 (73).

labour, which any average individual can be trained to do and which in one way or another he has to perform.'[12]

And the proof which Böhm-Bawerk so persistently demands? The proof is provided by the capitalist mode of production itself, 'in which individuals can with ease transfer from one labour to another, and where the specific kind is a matter of chance . . . Not only the category, labour, but labour in reality has here become the means of creating wealth in general, and has ceased to be organically linked with particular individuals in any specific form' (as, for example, with the craftsmen of earlier periods). 'Such a state of affairs' (these sentences were written in 1857), 'is at its most developed in the most modern form of existence of bourgeois society – in the United States. Here, then, for the first time, the . . . abstraction of the category "labour", "labour as such", labour pure and simple, becomes true in practice.'[13] Only in the completely developed capitalist mode of production does the entire labour-power of society 'count' (*gelten*), (or let us say 'can be reckoned as' (*zählen*) to avoid the expression forbidden by Böhm as 'one and the same human labour-power'. 'The effect is the same as if the different individuals had amalgamated their labour-time and allocated different portions of the labour-time at their joint disposal to the various use-values. The labour-time of the individual is thus, in fact, the labour-time required by society to produce a particular use-value, that is to satisfy a particular want.'[14] Thus whoever wants to speak of arbitrary abstractions in Marx, should first look at the capitalist production process, where, in fact, labour does not exist for people, but people for labour, and where, in the great majority of cases, this is simply a matter of average labour, at the average pace![15]

This is sufficient elucidation of the basic concept of Marx's theory of value – the concept of 'universal human labour'. We can now

[12] *Contribution*, pp.30-31.

[13] *Grundrisse*, pp.104-05. (Cf. the note on p.618 (487) of Volume I of *Capital* on the subject of the ease with which individuals can change their job in the United States.)

[14] *Contribution*, p.32.

[15] Cf. Marx's work of 1847, *The Poverty of Philosophy*, directed against Proudhon: 'If the mere quantity of labour functions as a measure of value regardless of quality, it presupposes that simple labour has become the pivot of industry. It presupposes that labour has been equalised by the subordination of man to the machine or by the extreme division of labour; that men are effaced by their labour; that the pendulum of the clock has become as accurate a measure of the relative activity of two workers as it is of the speed of two locomotives. Therefore we should not say that one man's hour is worth another man's hour, but rather that one man during an hour is worth just as much as

understand why, according to Marx, the values of commodities 'are only social functions of those objects and have nothing to do with their natural qualities',[16] and why, in order to be at all able to measure these values by the labour-time contained in them, we must trace different labours themselves back to undifferentiated, equivalent, simple labour, in which both the individuality of the workers and the concrete character of their activities seem to be extinguished. Naturally this does not mean that value-creating labour is a mere phantom : rather, what underlies it is the very real situation in a producing (i.e. commodity-producing) society, a situation which for its part rests on the no less real 'physiological truth' that any human labour is the 'expenditure of human brain, nerves, muscles and sense-organs'.[17] However, physiological labour is not yet economic labour. This, rather, presupposes the social process of the equalisation of originally different, unequal labours;[18] a process which takes place 'behind the backs of the producers' (in production itself, and therefore also in exchange), and which the category of 'abstract human' labour simply reflects.[19]

3. However, let us return to the real matter at hand – Böhm-Bawerk's objection to Marx's reduction of skilled to unskilled labour. First of all we want to anticipate the somewhat curious objection that there has been a 'substitution'. According to Böhm, Marx was supposed to have 'substituted' what skilled labour 'counts as' for what this labour actually 'is', in order to save having to offer 'proof' of this reduction; whereas everyone knows that scientific theory only deals with the 'being' of things. How little in fact this objection 'counts for'

another man during an hour. Time is everything; man is nothing; he is at the most time's carcass . . . Quantity alone decides everything; hour for hour, day for day; but this equalising of labour is not by any means the work of M. Proudhon's eternal justice; it is purely and simply a fact of modern industry.' (pp.53-54.)

[16] *Wages, Price and Profit. Selected Works*, p.201.

[17] *Capital* I, p.164 (71).

[18] 'On the market products are not exchanged in terms of equal, but of equalised quantities of labour.' (I.I.Rubin, *Essays on Marx's Theory of Value*, p.169.)

[19] It is clear how little Böhm really grasped the basis of Marx's theory of value from his comparison of 'general human' and 'simple average labour', where he designated the latter as a 'particular kind of labour' in a crudely naturalistic way. A fine 'particular kind of labour', 'for which any average individual can be trained' and which the average individual 'must carry out in one form or another'. (This all derives from an elementary confusion; he overlooks that 'simple average labour' can indeed be counterposed to skilled labour as a 'particular kind of labour' – but not to 'general human labour', as it is part of the latter's definition.)

can be best seen by comparing it with two sentences from Marx on the subject of 'skilled labour'. Thus, in the passage in Volume I, quoted by Böhm : 'More complex labour counts only as intensified, or rather, as multiplied simple labour, so that a smaller quantity of complex labour is considered equal to a larger quantity of simple labour.'

How does the parallel passage read in the *Contribution*, published eight years previously? 'But what is the position with regard to more complicated labour . . .? This kind of labour resolves itself into simple labour; it is simple labour raised to a higher power, so that, for example one day of skilled labour may equal three days of simple labour.'[20]

It is clear that both sentences say the same thing : and thus Marx could achieve his purpose without the substitution attributed to him, by saying not 'counts as resolved', but rather 'resolves itself' ! So where is the crucial 'ingredient of his recipe' (to which Böhm-Bawerk – basing himself on one single word – devotes two pages of his critique)?

In fact it is rather disparaging to go into this hair-splitting, which was so unworthy of the leading theoretician of the 'Austrian' school. But couldn't something in fact be learnt from this 'objection'? In fact, why does Marx use the expression 'counts' in this, and several other, passages? Simply to indicate that the value-creating quality of human labour is not a naturally given fact from the outset, but is rather the result of the equalisation of different labours which takes place in a social process. Thus, lurking behind Böhm's curious objection is a naïve naturalistic conception of the labour theory of value, which although having nothing to do with Marx, has a lot to do with his critics' lack of understanding.[21]

Now to the last, and most important of Böhm's arguments – to the famed vicious circle which he discovered in Marx. Is it true that Marx was able to base his theory of the higher value-creating power of skilled labour on nothing more than the workings of the market, where the products of skilled labour receive a higher valuation than those of unskilled labour?

This is yet another example of how fundamentally Böhm misunderstood Marx's theory of value. Here he overlooks the fact that before Marx came to deal with what was for him the secondary question of skilled labour, he had already solved the underlying problem of the reducibility of all labours (be they skilled or unskilled) to 'undifferentiated, uniform, simple labour'; he therefore no longer needed

[20] *Contribution*, p.31.

[21] This also applies to more recent critics of Marx's theory of value such as Schumpeter, Robinson etc.

to 'prove' this already established result once more with respect to skilled labour. (This could only become a problem for someone who regards the work of a skilled worker – such as an engineer or mechanic – as different in principle to all other labour.) Of course this does not mean that the question of skilled labour presents no problem in itself. However, the issue is not whether this kind of labour is reducible in principle to unskilled labour, whether it does in fact represent a simple multiple of unskilled labour; but rather by what laws does this reduction take place and how is this multiple to be measured. And these are naturally two quite different questions! Even Böhm would have noticed this if he had looked at the *Contribution* as well as *Capital* (in fact Marx himself refers to the *Contribution* as a necessary complement to the theoretical chapters on money and value).[22] Thus, in this text, it states on the question of skilled labour; 'The laws governing this reduction [of skilled to unskilled labour] do not concern us here. It is however clear that the reduction is made, for as exchange-value, the product of highly skilled labour is equivalent, in definite proportions, to the product of simple average labour; thus being equated to a certain amount of this simple labour.'[23]

We consider that this passage alone should put a stop to all talk of Marx's alleged 'circular explanation', since if, according to Marx, the higher value-creating power of skilled labour is simply deducible from the higher valuation of the products it produces on the market, why did he speak, in the same breath, of the particular laws which govern the reduction of skilled to unskilled labour?[24] How is this compatible with Böhm's assertion that according to Marx 'the standard of reduction is determined by nothing other than the actual exchange relations themselves'? It is not compatible at all. It is hardly surprising that Böhm took no notice of this passage, which is so unfavourable for his interpretation. This may indeed have served as a polemic against Marx; but hardly as a scientific investigation.

II. MARX'S PROBABLE SOLUTION

Marx accepted Ricardo's assertion that the processes on the market for commodities themselves confirm that a reduction of skilled to unskilled labour takes place. (It is difficult to see why Böhm did not

[22] *Capital* I, p.89 (75).

[23] *Contribution*, p.31.

[24] In the section quoted by Böhm, Marx in fact speaks of the 'effort of reduction' which he wishes, initially, to avoid.

refer to Ricardo's authorship of this argument in his criticism of Marx.) However, Marx already notes in his *Exzerpten* of 1851: 'Ricardo provides no further development of this.'[25] However, the fact that he considered[26] working out such a 'development' himself (probably in the planned *Book on Wage-Labour*) can be seen in a passage from the *Theories* directed against Bailey. 'His last objection' (to Ricardo's theory of value) 'is this: The value of commodities cannot be measured by labour-time, if the labour-time in one trade is not the same as in the others, so that the commodity in which, for example, 12 hours of an engineer's labour is embodied has perhaps twice the value of the commodity in which 12 hours of the labour of an agricutural labourer is embodied. What this amounts to is the following: A simple working day, for example, is not a measure of value if there are other working days which, compared with days of simple labour, have the effect of composite working days.[27] Ricardo showed that this fact does not prevent the measurement of commodities by labour-time if the relation between unskilled and skilled labour is given. He has indeed not described how this relation develops and is determined. This belongs to the definition of *wages*, and, in the last analysis' – now the surprise – 'can be reduced to the *different values of labour-power itself*, that is, its varying production costs (determined by labour-time).'[28]

How should we interpret this interesting passage? At any rate not in the sense that the thesis, according to which any complex labour simply represents multiplied simple labour, is first to be 'proved'; this task was already carried out in the theory of value, by the reduction of all labour to simple average labour. The question is, therefore, not

[25] *Grundrisse*, German edn. p.787.

[26] Cf. *Grundrisse*, p.846. 'Of course, labour is distinct qualitatively as well, not only insofar as it is performed in different branches of production, but also more or less intensive etc. The way in which the equalisation of these differences takes place, and all labour is reduced to unskilled simple labour, cannot of course be examined yet at this point. Suffice it that this reduction is in fact accomplished with the positing of products of all kinds of labour as values. As values, they are equivalents in certain proportions; the higher kinds of labour are themselves appraised in simple labour. This becomes clear at once if one considers that e.g. Californian gold is a product of simple labour. Nevertheless, every sort of labour is paid with it. Hence the qualitative difference is suspended, and the product of a higher sort of labour is in fact reduced to an amount of simple labour. Hence these computations of the different qualities of labour are completely a matter of indifference here, and do not violate the principle.'

[27] Hence, Bailey anticipates Böhm-Bawerk's argument here. (Böhm also fails to mention Bailey's polemic against Ricardo in his own critique.)

[28] *Theories* III, p.165. (Cf. the 'Appendix' to Chapter 2 above.)

whether skilled labour is fundamentally capable of reduction to unskilled, but rather, by what standard this occurs, and how the respective labours can be compared with one another. And here Marx, the strict labour-theorist, is 'unorthodox' enough to propose the 'different values of labour-power itself', i.e. basically, the differing training costs of skilled and unskilled labour, as the standard of comparison! A solution which occurred to many – more or less 'orthodox' marxists (to name only Kautsky, C.Schmidt, Bernstein, Hilferding, H.Deutsch, O.Bauer, L.Boudin, Bogdanov, Posniakov, and Rubin) but from which they, for the most part, and with a correct instinct, recoiled, since this solution – from the standpoint of the artificial problem raised by Böhm – would lead without question to the derivation of the values of commodities from the value of labour-power, i.e. would contradict the essence of Marx's theory of value itself. This explains several – in part very ingenious – attempts to fill in the supposed gaps in Marx's theory of value, and in this way ward off Böhm-Bawerk's attack.

We have no intention of increasing the number of these attempts; firstly, because we do not want to measure our abilities against those of the theorists mentioned above; and secondly, because we regard the problem – as they raised it[29] – as non-existent.

Let us stress once more that the question is no longer whether skilled labour represents a simple multiple of unskilled, but simply how this multiple is to be measured. And it is incomprehensible why this should not occur in the way that Marx proposed in the *Theories*. Let us for a moment imagine a socialist society. Even this society, at the outset, will certainly have to deal with the fact of differently qualified labour. Thus here too the question of the reduction of skilled to unskilled labour will be of theoretical – and, above all, practical – significance. It will be significant in two respects; one, as far as the 'reward' of the labour-powers of different qualifications is concerned; and two, because a socialist society will have to make a careful calculation of the labour-power at its disposal and distribute it to the various branches of production.

As far as rewarding skilled labour is concerned, the socialist society, as Engels pointed out, will seek, above all, to equate the 'wages' of skilled workers to those of unskilled. The reason is easy to understand: 'In a society of private producers, private individuals or their families pay the costs of training the qualified worker; hence the higher price paid for qualified labour-power accrues first of all to

[29] It should be remembered that at that time no consideration had been given to the structure or the changes in the structure of *Capital*.

private individuals: the skilful slave is sold for a higher price and the skilful wage-earner is paid higher wages. In a socialistically organised society these costs are borne by society and to it, therefore, belong the fruits, the greater "values"[30] produced by compound labour.'[31] (N.B. assuming that this society is capable of bearing the entire costs of training, which at the outset will not necessarily be the case.)

However, what is more important is the second question: how does a socialist society deal with the fact of differently qualified labour in its economic planning? Since the higher power of skilled labour does not arise from any mysterious property possessed by this labour itself, or by its human bearer, it is evident that this can only be based on the empirically given and empirically measurable difference in the training costs of skilled and unskilled workers themselves. Assume that 100 workers who work 10 days are necessary for the completion of a particular project, of which however 10 must be equipped with particular, above-average qualifications, specially for this project. In order to train these workers society must incur certain expenses which, let us say, amount to 200 working days. It is clear then, that these 200 working days must also be 'accounted for' by society, if its economic plans are to have a sound basis. It would therefore allow not 1,000 working days, but rather 1,200 for the carrying out of the project. Thus the distinction between skilled and unskilled labour will in the final analysis be reduced to the difference in the period of training of the various kinds of labour.

The same would apply, *mutatis mutandis*, for the capitalist mode of production as well, except that here there is no central planning organ which would balance the training time of the various kinds of labour, and must, rather, give this task over to the spontaneous forces of the market (the market for labour, and the market for commodities); and furthermore, here, the connection between the training time of different workers must assume the form of interaction between the values of the labour-powers and the values of the commodities which they produce. In this sense Marx states in *Capital*: 'All labour of a higher or more complicated character than average labour is expenditure of labour-power of a more costly kind, labour-power whose production has cost more time and labour, than unskilled or simple labour-power, and which therefore has a higher value. This power being of higher value, it expresses itself in labour of a higher

[30] We have placed the word 'values' in inverted commas as it is clearly only used in an analogous sense and could easily lead to misunderstandings.

[31] Engels, *Anti-Dühring*, pp.239-40.

sort, and therefore becomes objectified, during an equal amount of time in proportionally higher values.'[32]

This in no way means that Marx, in contradiction to his theory of value, here derives the value of commodities from the 'value of labour', but rather that, in the social process of the equalisation of different labours, the extra expenditure of labour which capitalist society must employ for the training of skilled workers cannot be *expressed* other than through a higher 'valuation' of the products produced by these labour-powers. (If this were not the case no employer would be prepared to pay skilled workers correspondingly higher wages. The consequence would be a movement of workers out of these trades which would continue until the demand for the products concerned drove up their price, and thereby compelled the training of new skilled workers.)

So much, then, on the solution to the problem of skilled labour as it is touched on in the *Theories*. However the main point was not so much the solution itself but rather the proof that the distinction between skilled and unskilled labour offers no kind of obstruction, in principle, to the explanation of economic phenomena from the standpoint of Marx's theory of value, as was maintained by Böhm-Bawerk and other critics of Marx's theory of value who succeeded him.[33] Indeed, the concept of 'value-creating labour' is not, as Marx remarked in an earlier passage directed against Smith, 'Scottish', i.e. to be taken in a crude naturalistic way, for this reason: 'When we

[32] *Capital* I, p.305 (197). [Rosdolsky adds here] We cite the 3rd edition of Volume I here as the last sentence reads somewhat differently in the 4th edition, and because the differing style of the 3rd edition led to a splendid polemic between Hilferding and Bernstein which was first brought to light by the editor of the English translation of Hilferding's work *Böhm-Bawerk's Criticism of Marx* (*op. cit.*), originally published in 1920. Bernstein, taking the passage from the 3rd edition as his basis, maintained that Marx here derives the value of the product from the 'value of labour' (*Die Neue Zeit*, 23 December 1899). Hilferding angrily replied that the passage in question states 'the precise opposite of that which Bernstein wants to deduce from it' and that 'if Bernstein was right he would have had to use the word "*daher*" ("consequently" or "therefore")', which he did not in fact do. But as bad luck would have it, neither Hilferding nor Bernstein took note of the 4th edition of Volume I, where the sentence under discussion was changed by Engels as follows: 'This power being of a higher value, it is therefore expressed in a higher labour, and is consequently objectified in proportionately higher values.' (*Capital* I, p.305 (197). Thus Engels had already introduced the tabooed word '*daher*' into the text ten years previously in 1890, and so gave some assistance to Bernstein! This merely illustrates what pedantic squabbling over quotations was carried on by the 'orthodox' marxists.

[33] All the less as the differential between the wages of skilled and unskilled work is often simply based on convention. Cf. *Capital* I, p.305 (197).

speak of the commodity as a materialisation of labour – in the sense of its exchange-value – this itself is only an imaginary, that is to say a purely social mode of existence of the commodity which has nothing to do with its corporeal reality; it is conceived as a definite quantity of social labour or of money!'[34]

However, anyone who, like Böhm, demands that Marx's theory of value should deduce the reducibility of skilled labour to unskilled '*a priori*, from some characteristic inherent in skilled labour', merely demonstrates how fundamentally he must have misunderstood this theory.

[34] *Theories* I, p.170.

32.
A Note on the Question of 'False Rationalisation'

According to Otto Bauer (who coined the concept), 'false rationalisation' is rationalisation which, although decreasing the costs of production in one single enterprise, simultaneously increases the overall social costs of production thus 'making the individual richer and society as a whole poorer'.[1] 'False rationalisation' is therefore a phenomenon which is characteristic of the capitalist economic system. In the capitalist economy labour-power is a commodity whose value, like that of every other commodity, is determined by the social labour necessary for its reproduction. The bearer of labour-power, the worker, nevertheless expends energy in the process of living, as well as in working, and the former of course even when he or she is unemployed i.e. falls into the ranks of the industrial reserve army. The worker's labour-power must also continue to be maintained as a potential object of exploitation by capital during such periods of unemployment and society must therefore provide the unemployed worker with unemployment pay, 'be this by means of unemployment insurance, public welfare, or private charity . . . which must be sufficient to replace the energies expended in the process of living'. If an expenditure of x Marks is needed for the reproduction of the energies used in the process of living, and y Marks for those in working, then unemployment pay must amount to at least x Marks, and the wage to at least x + y Marks, if the worker is to remain capable of working.' However, the costs of the reproduction of the energies expended in the workers' life-process are only borne by the employer if the worker is in his employ: if the worker is made redundant they fall onto society as a whole. Hence the costs of maintaining unemployed workers do not constitute 'an element of the production costs of the *individual* enterprise, but rather enter into the social costs of production'.

This distinction is noticeable whenever capitalist rationalisation

[1] Otto Bauer, *Kapitalismus und Sozialismus nach dem Weltkrieg* Vol.I, *Rationalisierung – Fehlrationalisierung*, 1931, pp.170-77.

takes place. Because the individual employer is no longer concerned about the workers he has thrown onto the streets and no longer has to provide for their subsistence, it is in his interest continually to 'release labour' by means of technical innovation, the introduction of new machinery etc. (in short – through rationalisation), as long as 'the additional expense on fixed costs which the rationalisation requires, is less than the saving in wages which they bring about'. Hence it is beneficial for the capitalist, as Otto Bauer showed, 'to take rationalisation up to the point where the marginal increase in fixed costs is exactly equal to the savings in wages which this brings about.' In order to illustrate this thesis Bauer cites an example from a report of the committee enquiring into the German economy in 1930. It reads: 'We have completely modernised a small foundry which was equipped with three blast furnaces and reduced the number of workers in one section from 120 to 10 by means of this restructuring, i.e. saved 110 workers. Since workers cost around 4,000 Marks per year at the moment, we have therefore saved 440,000 Marks.[2] The rebuilding cost 2.8 m. Marks, of which 15% (420,000) are absorbed from our savings in the form of interest and depreciation.' The actual saving was, therefore, a mere 20,000 Marks per annum!

'From the standpoint of capitalist accountancy', says Bauer, 'this rationalisation was still justified'. However, the matter appears quite different when looked at from the standpoint of 'social accounting': 'If the workers made unemployed by the change remained unemployed for a long period of time, or if they eventually had to move elsewhere to find work, then the additional social cost which the subsistence or moving of the unemployed required was no doubt much greater than the saving of 20,000 Marks.' Bauer therefore considers that for 'society' this changeover signified 'false rationalisation', since, 'from the standpoint of social accounting, technical change will only be worthwhile if it lowers total social costs – i.e. if the saving in capitalist costs is greater than the social expenses required for the maintenance, retraining and relocation of workers made unemployed by technical change.'[3]

Bauer provides a forceful criticism of capitalist rationalisation, which in many instances achieves an increase in profit for the individual employer at the expense of the capitalist economy as a whole (alias, 'society'), and can consequently quite justifiably be characterised, from the standpoint of 'social accounting', as 'thoughtless', 'rash'

[2] As is normal in capitalist language, workers are here equated with tools and raw materials.

[3] Bauer, *op. cit.* pp.169-75.

and 'misconceived', negative rationalisation. For this reason, the concept of 'false rationalisation' certainly has its uses (setting aside the questionable abstraction, 'society').[4] The question is simply, what are the limits within which this concept can be employed? And in what kind of society can one speak of 'false rationalisation' in the above sense? This is a point at which we have to differ from Bauer.

Let us imagine a society in which all the branches of production are collected together in a capitalist trust; that is, where there are no longer individual employers, but rather 'where the bourgeoisie administers the entire economy through its state'. In such a society social accounting (i.e. for capital as a whole) would in fact have to replace private business accounting. A society of this kind would therefore only rationalise if the savings in costs of 'living labour', in wages, were not outweighed by increased expenditure for the maintenance of the army of the unemployed (or would at most equal it). Thus, for this society the limits of rationalisation would be more narrowly drawn than for private capitalism – they would merely be able to rationalise more carefully and prudently (although perhaps also with more continuity). (And we would add that the concept of 'false rationalisation' only has a meaningful application in such a society i.e. as an economic measure which is miscalculated, negative in its consequences and which would burden the capitalist economy with the superfluous costs of the maintenance of labour-power, and which could therefore be criticised from the viewpoint of the 'general interest'.)

[4] 'Nothing is more erroneous than the manner in which economists as well as socialists' (Marx refers to Proudhon here) 'regard society in relation to economic conditions . . . This so-called contemplation from the standpoint of society means nothing more than the overlooking of the differences which express the social relation (relation of bourgeois society). Society does not consist of individuals, but expresses the sum of interrelations, the relations within which these individuals stand. As if someone were to say: Seen from the perspective of society, there are no slaves and no citizens: both are human beings. Rather, they are that outside society. To be a slave, to be a citizen are social characteristics, relations between human beings A and B. Human being A, as such, is not a slave. He is a slave in and through society.' (*Grundrisse*, pp.264-65.) Cf. *Capital* II, p.437: 'Speaking of the point of view of society . . . we must not lapse into the manner copied by Proudhon from bourgeois economy and look upon this matter as though a society with a capitalist mode of production, if viewed en bloc, as a totality, would lose this its specific historical and economic character. No, on the contrary. We have, in that case, to deal with the aggregate capitalist.' Hence Marx's usual expression: 'from the standpoint of society or the capitalist class'. (See *Theories* II, p.415, *Capital* II, p.337.) But what is the distinction between Bauer's 'social production accounting', taken from American economists (e.g. J.M.Clark), and Proudhon's 'manner'?

This is how the question appears from the standpoint of state capitalism. But how would it appear in a socialist society, where rationalisation would be tied up with a reduction in general working time, and in which there would no longer be a problem of unemployment (and therefore no problem of the consequent costs of re-training or re-locating the unemployed)? Since wage-labour would no longer exist, this society would clearly have to take account not of the costs of labour-power (as in capitalism), but of the amount of labour itself in its 'cost-accounting'. Consequently, even those technical changes which appear to be misplaced from the standpoint of the state or private capitalist economy, would prove tenable here. 'False rationalisation' would only occur if the new machines etc. had cost society more than (or the same as) they saved on labour (not on the payment for labour-power!). Therefore the limits of rationalisation would be much wider than in the capitalist economy; socialist society could 'rationalise' much more rapidly and on a more generous scale, could develop the productive powers of social labour in a much more dynamic way!

Strange as it may seem, Otto Bauer came to a diametrically opposed view: He writes, in conclusion: 'The source of this false rationalisation would only be prevented in a society in which the factories belong to the state and the very same state had to carry at the same time, the costs of unemployment pay, and the costs of retraining and relocation of workers. Instead of capitalist accounting there would be social accounting. The state would then only have an interest in rationalisation if the saving in the production costs in the individual plant were larger than the costs of the unemployment pay of the workers temporarily dispensed with by the rationalisation measures. This state would naturally also carry out rationalisation. But it would only rationalise to the extent that it could transfer the workers made superfluous by rationalisation in one plant to other plants or branches of production. Rationalisation would not proceed by leaps and bounds, as in the period 1924-29, but would occur more slowly, but steadily and continuously. Carried out only at the speed at which workers who are no longer required could be transferred to other branches of production, rationalisation in a socialist society would no longer be obtained at the expense of long-term mass unemployment.'[5]

It is clear, though, that those features and benefits which Bauer denotes as being characteristic of a socialist society, in fact apply to a

[5] Otto Bauer, *op. cit.* pp.179-80.

state capitalist system.[6] Not only are we still confronted with the problem of unemployment, but Bauer's 'socialist' society still bases its 'accounting' on the cost of labour-power ('capitalist costs'), rather than on the labour itself which the products require. But this is the very point which serves to distinguish a socialist society from a capitalist one!

We read in Volume I of *Capital*: 'The use of machinery for the exclusive purpose of cheapening the product is limited by the requirement that less labour must be expended in producing the machinery than is displaced by the employment of that machinery. For the capitalist, however, there is a further limit on its use. Instead of *paying for the labour*, he pays only the value of the labour-power employed; the limit to his using a machine is therefore fixed by the *difference between the value of the machine and the value of the labour-power replaced by it*. Since the division of the day's work into necessary labour and surplus-labour differs in different countries, and even in the same country at different periods, or in different branches of industry; and further, since the actual wage of the worker sometimes sinks below the value of his labour-power, and sometimes rises above it, it is possible for the *difference between the price of the machinery and the price of the labour-power replaced by that machinery to undergo great variations while the difference between the quantity of labour needed to produce the machine and the total quantity of labour replaced by it remains constant*. But it is only the former difference that determines the cost to the capitalist of producing a commodity, and influences his actions through the pressure of

[6] The term 'state capitalism' refers here merely to a developmental tendency, and not to an actually existing form of capitalism. Even if such a form were to come into existence, this would in no way signify the end of capitalism, for several capitals, organised by the state, would still confront one another. (Cf. Note 117 on p.42 above.) Cf. also Trotsky's arguments: 'Theoretically, to be sure, it is possible to conceive a situation in which the bourgeoisie as a whole constitutes itself a stock company which, by means of its state, administers the whole national economy. The economic laws of such a regime would present no mysteries. A single capitalist, as is well known, receives in the form of profit, not that part of the surplus-value which is directly created by the workers of his own enterprise, but a share of the combined surplus-value created throughout the country proportionate to the amount of his own capital. Under an integral "state capitalism", this law of the equal rate of profit would be realised, not by devious routes – that is, competition among different capitals – but immediately and directly through state book-keeping. Such a regime never existed, however, and, because of profound contradictions among the proprietors themselves, never will exist – the more so since, in its quality of universal repository of capitalist property, the state would be too tempting an object for social revolution.' (*The Revolution Betrayed*, pp.245-46.)

competition.' (Marx adds in a footnote: 'The field of application for machinery would therefore be entirely different in a communist society from what it is in a bourgeois society.'[7])

This remark illustrates clearly enough the difference between the 'cost accounting' of a capitalist and a socialist society. However, in Volume I of *Capital* this distinction is only hinted at, whereas a detailed discussion can be found in Volume III.[8] Here, in a passage edited by Engels, we read: 'The value of a commodity is determined by the total labour-time of past and living labour incorporated in it. The increase in labour productivity consists precisely in that the share of living labour is reduced while that of past labour is increased, but in such a way that the total quantity of labour incorporated in that commodity declines; in such a way, therefore, that living labour decreases more than past labour increases. The past labour contained in the value of a commodity – the constant part of capital – consists partly of the wear and tear of fixed, partly of circulating constant capital entirely consumed by that commodity, such as raw and auxiliary materials. The portion of value deriving from raw and auxiliary materials must decrease with the [increase of the] productivity of labour, because with regard to these materials the productivity expresses itself precisely by reducing their value. On the other hand, it is most characteristic of rising labour productivity that the fixed part of constant capital is strongly augmented, and with it that portion of its value which is transferred by wear and tear to the commodities. For a new method of production to represent a real increase in productivity, it must transfer a smaller additional portion of the value of fixed capital to each unit of the commodity in wear and tear than the portion of value deducted from it through the saving in living labour; in short it must reduce the value of the commodity . . . This reduction of the total quantity of labour going into a commodity seems, accordingly, to be the essential criterion of increased productivity of labour, no matter under what social conditions production is carried on. Productivity of labour, indeed, would always be measured by this standard in a society in which producers regulate their production according to a preconceived plan, or even under simple commodity production. But how does the matter stand under *capitalist* production?'

At this point Engels introduces the following example: 'Suppose a certain line of capitalist industry produces a normal unit of its

[7] *Capital* I, p.515 (392).
[8] Cf., however, *Grundrisse*, pp.776-77, 819-20.

commodity under the following conditions :[9] The wear and tear of fixed capital amounts to ½ shilling per piece; raw and auxiliary materials go into it to the amount of 17½ shillings per piece; wages, 2 shillings; and surplus-value, 2 shillings at a rate of surplus-value of 100%. Total value = 22 shillings . . . The cost-price of the commodity = ½ + 17½ + 2 = 20s, the average rate of profit 2/20 = 10%, and the price of production per piece of the commodity, like its value = 22s. Suppose a a machine is invented which reduces by half the living labour required per piece of the commodity, but trebles that portion of its value accounted for by the wear and tear of the fixed capital. In that case, the calculation is : Wear and tear = 1 ½ shillings, raw and auxiliary materials, as before, 17½s., wages, 1s., surplus-value 1s., total 21s. The commodity then falls one shilling in value; the new machine has certainly increased the productivity of labour. But the capitalist sees the matter as follows : his cost price is now 1½s. for wear, 17½s. for raw and auxiliary materials, 1s. for wages, total 20s. as before. Since the rate of profit is not immediately altered by the new machine, he will receive 10% over his cost price, that is 2s. The price of production, then, remains unaltered = 22s., but is 1s. above value. For a society producing under capitalist conditions of production the commodity has not cheapened. The new machine is no improvement for it. The capitalist is, therefore, not interested in introducing it. And since its introduction would make his present, not as yet worn-out, machinery simply worthless, would turn it into scrap-iron, hence would cause a positive loss, he takes good care not to commit what would be for him a utopian mistake.' Engels concludes : 'The law of increased productivity of labour is not, therefore, absolutely valid for capital. So far as capital is concerned, productiveness does not increase through a saving in living labour in general, but only through a saving in the *paid* portion of living labour, as compared to labour expended in the past . . . Here the capitalist mode of production is beset with another contradiction. Its historical mission is unconstrained development in geometrical progression of the productivity of human labour. It goes back on its mission whenever, as here, it checks the development of productivity. It thus demonstrates again that it is becoming senile and that it is more and more outlived.'[10]

We considered that this long quotation was necessary, as it expands on and complements Marx's remarks in Volume I of *Capital*

[9] Under the assumption that 'the capital in this line of production has the average composition of social capital'.

[10] *Capital* III, pp.260-62.

in a particularly precise and illuminating way. One thing is clear: this solution follows necessarily from marxist economy theory. Otto Bauer too, knew this only too well in his time, as his earlier writings show. Thus we read in his first work : 'Capitalist production not only reduces the full use of available human labour-power, it also hinders the application of the most effective methods of production. . . . Socialist society will be able to employ a machine, if it saves more labour than is required for its manufacture; by contrast, the capitalist mode of production is only able to use a machine if it saves more wages than it costs. The lower the wages, the more difficult it is to introduce new machines, or to make use of technical progress. Since the wage can only be the form of appearance of the value of labour-power and never of the product of labour, capitalist society could never employ all those machines which a socialist society could put at its service. But there is still more !'

In addition we have the effects of the equalisation of the individual rates of profit so as to form a general rate of profit : 'The production price of the machine is permanently higher than its value . . . because this contains a part of the surplus-value produced in other branches of production and appropriated by the manufacturers of iron and machines by virtue of the size of their physical capital . . . We can then add, that the higher production price of the machine which is always more than its value . . . is a further limitation to the replacement of manual labour by more productive machinery. And finally there is one additional reason ! The cartels and trusts in the coal and iron industries increase the price of their products – of machines – still further above the production price created by free competition, i.e. make machine production even more expensive, and are therefore a further limitation to technical progress. The socialist mode of production would do away with all these limits at one blow : for such a society any machine can be used which saves more labour than it itself requires.'[11]

This shows how well Otto Bauer could write in his earlier years ! Not a word about the quasi 'social accounting', working with the amount required for wages; and also no warnings about a careful, gradual, cautious pace of rationalisation under socialism ! How does one then explain the fact that Bauer later came to diametrically opposed conclusions – despite the fact that he belonged to the marxist school ?

In fact the explanation is very simple. Twenty-five years elapsed

[11] *Die Nationalitätenfrage und die Sozialdemokratie*, 2nd edn., pp.97-98.

and Saul became Paul. Once he had been converted to reformism Otto Bauer had to look at the question of the socialist transformation of society through the eyes of a reformist 'realpolitiker', and 'statesman'. This is how his miraculous idea arose of a socialist society, in which capitalist methods of accounting were still applicable; a society which numbered among its normal institutions, offices for paying unemployment benefit. The 'socialist society' which he speaks of in 1932 is nothing more than a state capitalist society; a society which has negated capitalism simply in the sense that it has transferred the control of the means of production to the state, without introducing the socialist mode of production, without making the producers themselves the real managers of the economy. Thus the criticism which can be levelled at Otto Bauer is that he neglected the most important thing about this society, which was at that time hypothetical, but which is sought in practice today by reformism; that he limited himself merely to the problem of the transformation by the state of 'organised capitalism' so that finally the decisive distinction between socialism and capitalism, in relation to the development of the forces of production, disappeared. Was this a merely theoretical error? By no means. A highly characteristic concept of socialism hides behind the academic question as to the optimal speed of rationalisation under socialism, a concept which basically equates socialism with state capitalism. This could perhaps be overlooked when Otto Bauer wrote his book; however, today, after the crucial experiences of the last decades, the question of the distinction and antithesis between the socialist and state capitalist economic order must be recognised as one of the central questions of the workers' movement, since it seems certain that this contrast will play a prominent role in the future struggles of the working class and in the future ideological disputes within the socialist camp. Seen in this light Otto Bauer's error takes on a completely different appearance.

33.
Joan Robinson's Critique of Marx

It has often been stated that the differences between the two opposed schools of political economy – the 'academic' and the marxist – have grown so large that the adherents of one school can scarcely understand the language of the other. A striking example of this gulf is provided by Joan Robinson. This distinguished economist was anxious to do justice to the 'rough and gloomy grandeur'[1] of Marx's theoretical system; in fact she succeeded in doing nothing more than producing a further caricature of marxism. The reason for this does not of course lie in some kind of individual failing (Joan Robinson is an excellent economist); it lies deeper than this, in the method with which she approached her task. It is obvious that a critic of Marx who admits to having little regard for Marx's method, and who dismisses it as 'Hegelian stuff and nonsense'[2] must necessarily misunderstand and misinterpret even its most elementary principles. She might, perhaps, understand what Marx said literally, but never 'what he really meant'.

I. MARX'S THEORY OF VALUE

Naturally, the main target of Robinson's criticism is Marx's theory of value, since if she succeeds in demolishing this cornerstone of Marx's system, the basic assumptions of so-called academic theory can remain intact and be used to yield some kind of quasi-socialist conclusions. The result would be the creation of a neatly pruned, Fabianised and Keynesianised Marx.

1. Marx as a 'value fetishist'

Let us start with a few remarks on Robinson's critical method. In common with so many of her predecessors she divided Marx into

[1] Joan Robinson, *An Essay on Marxian Economics*, p.2.
[2] Robinson, *On Re-reading Marx*, p.20.

two different, in fact opposed, beings; the 'Hegelian metaphysician' of Volume I of *Capital* and the Marx who was governed by common sense in Volume III. What the latter wrote, could, to some extent, be reconciled with reality (especially if corrected from the standpoint of 'modern economics'). This is because, basically, the theory of value as set out in Volume III is 'everyone's theory' – in contrast to the theory of 'absolute value' in Volume I[3] which is 'pure dogmatism' and therefore simply 'indigestible'.[4] Let us therefore begin with this 'indigestible' part.

Robinson writes: 'Ricardo sought to find in labour cost a measure of value which would be invariable in the same manner as a measure of length or of weight, and Marx, though he did not read Ricardo's essay, *Absolute Value and Exchangeable Value*, echoes the same thought when he looks for the "something" in common between commodities of equal exchange-value, which "cannot be a geometrical, physical, chemical or other natural property of commodities".'[5]

He regarded value 'as a characteristic inherent to these commodities, as weight or colour'.[6] This concept of value, continues Robinson, 'is essentially pre-marxist', and is in glaring contradiction to the fundamental principles of Marx's doctrine. 'For one of Marx's greatest contributions to analysis is the distinction between the "forces of production" and the "relations of production"; that is, between the technical relations of man with his physical environment, and the economic relations of a man with his neighbours in society; and the notion of the fetishism which attaches itself to exchangeable commodities[7] – qualities arising out of relations between people appearing as relations between things.'

But, 'it takes the author of an original idea a long time to see all its implications – there are many examples of pre-Keynesian thought in the *General Theory*'! Hardly surprising then that Marx overlooked the simple fact that, 'weight and length are technical, value is social. Robinson Crusoe provides a touchstone for the distinction;

[3] Moreover, Robinson confuses Marx with Ricardo here. Marx never used the expression 'absolute value', and in fact rejected it, because it implies an independence of value from social relations. (See *Theories* III, pp.130-31, 134.)

[4] Robinson, 'The Labour Theory of Value: A Discussion', in *Science and Society*, 1954.

[5] *ibid.*

[6] Robinson, *Collected Economic Papers*, p.147.

[7] One of these words is clearly superfluous, as every 'commodity' is 'exchangeable' and every 'exchangeable good' is a 'commodity'.

weight and length had the same meaning for him on his island as at home: purchasing power had no meaning at all.'[8] The task facing Marx's critics is then one of, at long last, freeing Marx's theory from this terrible inconsistency.

This then is Robinson's view. Her entire argument can be reduced to two simple statements: (1) to say that value is something inherent in the commodity is to regard value as a technical category, and (2) to say that labour is the essence of value is to see in the cost of labour 'the invariable measure of value'.

Both assertions are based on trivial misunderstandings. As we have just seen, Marx asserted that the 'common element' which determined the value of commodities 'could not be a geometrical, physical, chemical, or other natural property of commodities'.[9] But what else can it be? Is it their common social nature which we repeatedly read about in Marx? No, explains Joan Robinson: this is where you make your mistake! Since what is 'common' to commodities must be inherent in them; and further, what is 'in them' can only be of a material, and not of a social nature . . . Thus, only two solutions are possible: either value is a social phenomenon, in which case it cannot simultaneously be an 'inherent' characteristic of commodities; or it is in fact 'inherent' in them, in which case it must be characterised as 'analogous to weight and colour', i.e. as a natural attribute. Isn't it therefore obvious that Marx simply confused value (which clearly represents a social relation) with a natural or technical category, and thus himself became a victim of the 'commodity fetishism' described so admirably in his book?

Of course, nothing is more agreeable than to see an academic economist standing up so energetically for the exclusive social character of the concept of value. (How this is compatible with the dominant role of 'utility' in modern economics is quite another question.) However, is it not rather foolish to raise this in relation to Marx, who was the first to recognise the pre-eminently social character of value, and who made this the cornerstone of his entire system?

He writes in his principal work: 'However, let us remember that commodities possess an objective character as values only insofar as they are all expressions of an identical social substance, human labour.'[10] 'As crystals of this social substance, which is common to them all, they are values – commodity-values.'[11] For, 'the commodity-

[8] *Science and Society, op. cit.*

[9] *Capital* I, p.127 (37).

[10] *ibid.* p.138 (47).

[11] *ibid.* p.128 (38).

form, and the value-relation of the products of labour' have 'absolutely no connection with the physical nature of the commodity and the material relations arising out of this. It is nothing but the definite social relation between men themselves which assumes here, for them, the fantastic form of a relation between things.'[12]

And Marx adds, as if anticipating the kind of criticism his theory might encounter in the future: 'Just as the body of the iron as a measure of weight represents weight alone, in relation to the sugar-loaf, so, in our expression of value, the body of the coat represents value alone. Here, however, the analogy ceases. In the expression of the weight of the sugar-loaf, the iron represents a natural property common to both bodies, their weight; but in the expression of value of the linen the coat represents a supra-natural property: their value, which is something purely social.'[13]

Marx makes the distinction between the weight-relation of the two bodies and the value-relation of two commodities absolutely clear here; the former is a material relation, the latter a purely social one. However, this did not prevent his Keynesian critic from imputing exactly the opposite view to him: the concept of value as 'a quality analogous to weight or colour' and, on top of that, to lecture him on the distinction between the 'technical' and the 'social' – two concepts which must have been clear even to Robinson Crusoe, although the poor man was never a professor of economics. But how could Joan Robinson arrive at such grotesque conclusions? The explanation clearly has to be looked for in the field of methodology.

Marks asks, how can we designate labour as the substance of value if, in actual fact, each concrete labour serves a different aim, and is performed by different individuals of differing ability, skill etc.? How can the infinite variety of the different kinds of professional and individual labour be reduced to a common denominator? His answer is that it is possible: 'However varied the useful kinds of labour, or productive activities, it is a *physiological* fact, that they are functions of the human organism, and that each such function, whatever may be its nature or its form, is essentially the expenditure of human brain, nerves, muscles and sense-organs.'[14]

In this sense the physiological similarity of human labour is a necessary precondition of any value-relation. But only a precondition! It would be mistaken to regard the physiological concept of labour as the essence of Marx's theory of value, as many of his

[12] *ibid.* p.165 (72).
[13] *ibid.* 149 (57).
[14] *ibid.* p.164 (71).

critics do. If such an interpretation were correct there would in fact be no fundamental difference between Marx's and Ricardo's versions of the labour theory of value, and the theory itself would be open to serious criticism. In the first place we would have to regard value as a supra-historical category, valid for all economic systems, since in all economic systems labour, looked at physiologically, is only 'an expenditure of human brain, nerves, muscles, and sense-organs.' The essentially historical character of the basic economic categories, on which Marx laid so much stress, would be obscured. And in the second place, we would be compelled, or at least tempted, to look for a mechanical measure of physiological labour, which would, of course, be a fruitless undertaking. (Moreover, we would then really confuse the 'social' with the 'technical', as Joan Robinson thinks.) In fact, however, we have only seen the first part of Marx's solution to the problem so far, since, although labour can be reduced, physiologically, to the simple expenditure of labour-power in any society, such a reduction is only necessary in practice and actually takes place at a particular stage of historical development. This only occurs in a society of commodity owners where exchange constitutes the sole economic connection between individuals, and consequently where commodities are to be regarded as products of average, undifferentiated labour – 'without regard to the form of its expenditure'.[15]

However, this requires no mechanical measure of the physiological expenditure of labour-power, since it is society itself, the spontaneous social process 'behind the backs of the producers', which equates the various forms of labour on the market and reduces them to average 'socially necessary' labour.[16] On the other hand, the 'equality of human labour' in such a society obtains a 'material form . . . in the equal objectivity of the products of labour as values',[17] and only in such a society does 'a definite social relation between men . . . assume the fantastic form of a relation between things'.

What conclusions can be drawn from this short resumé of Marx's theory of value? Clearly that it is impossible to recognise the exclusively social significance of value, unless it is regarded as an historical phenomenon; and that it is equally impossible to deny the historical character of value without seeing in it a 'quality analogous to weight or colour', i.e. a 'technical' category.

This provides the explanation as to why Marx's theory has been

[15] *ibid.* 128 (38).
[16] Cf. p.515ff above.
[17] *Capital* I, p.164 (72).

so often misinterpreted by his critics. Incapable of grasping the essentially historical character of economic categories, they simply deduce: If there is such a thing as 'value', then it must be a physical or natural quality of commodities. In this way it is not Marx they criticise, but their own narrowly naturalistic conception!

But what about Joan Robinson's second assertion – her picture of Marx as a seeker for an 'invariable measure of value'? Once more this shows a crassly naturalistic interpretation of Marx's theory.

The first interpreters of the capitalist system, the Mercantilists, asked the question: 'How can the wealth of a nation be reliably measured?' Simply by gold and silver? But the value of gold and silver is itself subject to variation, and a variable measure cannot be an exact measure. So (to give an historical example), the ancient Germans took as a measure of land the area which an average peasant could plough in one day. This was clearly a very imperfect measure; and since then this deficiency has been overcome by the modern technique of surveying. Why couldn't political economy accomplish something similar? It is hardly surprising that William Petty went in search, unsuccessfully, of a 'natural par between Land and Labour, so as might express the value "of all commodities" by either of them alone as well as or better than by both, and reduce one into the other as easily as we reduce pence into pounds'.[18] And Adam Smith expressed the same idea when he wrote: 'Gold and silver vary in their value, are sometimes cheaper and sometimes dearer, sometimes of easier and sometimes of more difficult purchase . . . But as a measure of quantity, such as the natural foot, fathom, or handful, which is continually varying in its own quantity, can never be an accurate measure of the quantity of other things; so a commodity which is itself continually varying in its own value can never be an accurate measure of the value of other commodities.'[19]

But can such an extraordinary commodity of invariable value be found? Smith was convinced that he had found such a charm. In his view the quite ordinary commodity 'labour' could successfully be employed as an 'invariable standard'. Of course the wages paid to workers are usually very different; however, 'equal quantities of labour, at all times and places, may be said to be of equal value to the labourer. In his ordinary state of health, strength and spirits . . . he must always lay down the same portion of his ease, his liberty and his happiness. The price which he pays must always be the same,

[18] *The Economic Writings of Sir William Petty* Vol.I, 1899, pp.44-45.

[19] Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, 1937 edn., pp.32-33.

whatever may be the quantities of goods which he receives in return of it. Of these, indeed, it may sometimes purchase a greater and sometimes a smaller quantity; but it is their value which varies, not that of the labour which purchases them . . . Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only.'[20]

So much, then, on the historical origins of the concept of the 'invariable measure of value'. It is clear that this insoluble problem (Marx compared it with squaring the circle)[21] only occupied the theorists as long as they regarded 'value' as an eternal natural quality of commodities.[22] The problem is solved, however, as soon as this standpoint is abandoned.

This is not the place to deal with Ricardo's conclusive critique of Smith's fallacy. However, one point should be stressed: whenever Ricardo spoke about the desirability of the so-called 'invariable measure of value' he did not mean 'labour costs', that is the commodity 'labour' which Smith meant, but rather labour as such, as value-creating activity itself, which is, of course, quite a different matter.[23]

However, what does this have to do with Marx and his theory of value? Can we really find traces in his writings which indicate that he might have looked for an 'invariable measure of value', as was certainly the case with Smith, Malthus or Destutt de Tracy? Let us read what Marx himself wrote on this question: 'In order to measure the *value* of commodities – to establish an *external* measure of value – it is not necessary that the value of the commodity in terms of which the other commodities are measured should be invariable. It must

[20] *ibid.* p.33.

[21] *Theories* I, p.150.

[22] Smith regarded 'the creation of value [as] a direct physiological property of labour, a manifestation of the animal organism in man . . . Just as the spider produces its web from its own body, so labouring man produces value – labouring man pure and simple, every man who produces useful objects – because labouring man is by birth a producer of commodities; in the same way human society is founded by nature on the exchange of commodities and a commodity economy is the normal form of human economy.' It was left to Marx to recognise that 'value' represents 'a definite social relationship which develops under definite historical conditions'. (Luxemburg, *The Accumulation of Capital*, p.68.)

[23] Cf. the recent commentary on Ricardo's theory of value in R.L.Meek, *Studies in the Labour Theory of Value*, 1956, pp.87, 99, 106-12.

on the contrary be variable, as I have shown in the first part,[24] because the measure of value is, and must be, a commodity since otherwise it would have no *immanent* measure in common with other commodities. If, for example, the value of money changes, it changes to an equal degree in relation to all other commodities. Their relative values are therefore expressed in it just as correctly as if the value of money had remained unchanged. The problem of finding an 'invariable measure of value' is thereby eliminated.' This quotation comes from an extensive discussion on the problem of the 'invariable measure of value' in Marx's *Theories of Surplus-Value*.[25]

But perhaps Joan Robinson didn't consider the *Theories*? Nevertheless she could have found the same ideas in Marx's *Contribution* and in *Capital*. For example, in the *Contribution* : 'Gold must be in principle a variable value if it is to serve as a measure of value, because only as reification of labour-time can it become the equivalent of other commodities, but as a result of changes in the productivity of concrete labour, the same amount of labour-time is embodied in unequal volumes of the same type of use-values.'[26] And we can read in *Capital* : 'But gold can serve as a measure of value only because it is itself a product of labour, and therefore potentially variable in value.'[27]

These few quotations are sufficient to show Marx's real view on this subject. And if it happens to be the case that occasional remarks in Ricardo's works could be interpreted to fit in with Joan Robinson's view (remarks which in no way belong to the essence of his theory of value), then exactly the opposite applies to Marx. Not only did he not share Smith's illusions about an 'invariable measure of value'; he even devoted numerous pages in his *Theories* to an emphatic refutation of this misunderstanding. However, in contrast to so many of his critics, Marx took care not to treat his predecessors as simpletons or small children, but rather showed that even mistakes were necessary steps on the path to the discovery of scientific truth, and that hidden behind the conception of an 'invariable measure of value' lay a very serious and well-founded desire to make the concept of value an objective one. Joan Robinson could have learnt a lot from these pages; she would have found that she already had a predecessor 140 years ago, in the shape of Bailey, who similarly con-

[24] Marx means here his *Contribution to the Critique of Political Economy*, published in 1859.

[25] *Theories* III, pp.133-34. Cf. *Grundrisse*, pp.792ff and, in the German edition, pp.899ff.

[26] *Contribution*, p.67.

[27] *Capital* I, p.192 (98).

fused the idea of an 'invariable measure of value' with the concept of value as an objective social quality of commodities, with labour as its 'inherent' standard of measurement. She would certainly not have then herself characterised Marx as a 'commodity fetishist' . . .[28] But didn't Marx once complain to Engels about his critics : 'If only these people would at least take the trouble to read what I wrote properly !'

2. *Marx's 'rigmarole'*

Up till now we have been concerned with the labour theory of value as it is presented in Volume I of *Capital*. However, Joan Robinson – in common with many much earlier critics of Marx – asserts that there is an 'irreconcilable contradiction' between the labour theory of value in Volume I and the theory of 'prices of production' in Volume III. As soon as she discusses the 'contradiction' she abandons her even temper. 'What was all the fuss about?'[29] – she asks contemptuously in relation to previous debates on this subject. How could Hilferding, Sweezy and other marxists overlook the fact that Marx's attempt at a 'reconciliation' of the two theories 'is purely formalistic and consists in juggling to and fro with averages and totals', and that everything which Marx wrote on this 'is a rigmarole, entirely devoid of content'?[30]

These are serious words. But what real content do they have? To put it plainly : very little. Let us examine Joan Robinson's own words. 'At first Marx states dogmatically that commodities tend to exchange at prices which correspond to their values.'[31] However : 'In a system in which prices correspond to values the net product of equal quantities of labour is sold for equal quantities of money. Thus (given uniform money-wage rates) surplus, in terms of money, per unit of

[28] Robinson could reply that she did not in fact mean labour costs, but rather labour-time to be the measure of value. However, this would simply make matters worse, as such an interpretation would signify that value could be directly expressed in units of labour-time, without their having to be compared with one single commodity, which serves as the universal measure of value. We would thus be transported back to the old utopia of 'labour-money', which Marx criticised so remorselessly in the *Grundrisse*.

[29] *Collected Economic Papers*, pp.147-48.

[30] *ibid.*

[31] This is not a correct assertion, as Marx states on p.329 (220) of Volume I of *Capital*: 'We have in fact assumed that prices = values. We shall, however, see in Volume III, that even in the case of average prices the assumption cannot be made in this very simple manner.'

labour is everywhere equal. To say that relative prices correspond to relative values is the same thing as to say that the rate of exploitation is the same in all industries. But if capital per man employed (the organic composition of capital) is different in different industries, while profit per man (the rate of exploitation) is the same, profit per unit of capital must vary inversely with capital per man. It would be possible for both the rate of profit and the rate of exploitation to be equal in all industries only if the ratio of capital to labour employed were also equal.'

She continues: 'In Volume I, Marx leaves this question open. In Volume III he shows that capital per man varies with technical conditions, while competition between capitalists tends to establish a uniform rate of profit. The rate of exploitation therefore cannot be uniform, and relative prices do not correspond to values.' On the contrary, 'the prices of the commodities differ from their values in such a way as to make the rates of exploitation actually enjoyed by the capitalists in the different industries vary with the organic composition of their capitals.' Marx thus 'entangled himself in an artificial difficulty by starting from the assumption of a uniform rate of exploitation. There is no warrant for this assumption. If wages are equal in all industries, surplus per man employed (the rate of exploitation) varies with the net productivity per man employed, and in general, productivity per man is greater where capital per man is greater. In Marx's own words: "The prevailing degree of productive power shows itself in the relative preponderance of the constant over the variable capital . . .If the capital in a certain sphere of production is of a higher composition [than the average] then it expresses a development of the productive power above the average."[32] Thus the rate of exploitation tends to vary with capital per man employed . . . the very same process which produces an equal rate of profit between industries produces unequal rates of exploitation.' 'As I see it', Robinson concludes, 'the conflict between Volume I and Volume II is a conflict between mysticism and common sense. In Volume III common sense triumphs but must still pay lip-service to mysticism in its verbal formulations.'[33]

The entire argument can be dealt with as follows:

1. Marx never maintained that 'to say that relative prices correspond to relative values means the same as to say that the rate of exploitation is the same in all industries'. Neither can such a conclusion be drawn from his theory. This is for one simple reason: Joan

[32] *Capital* III, p.759.
[33] *Essay*, pp.15-16.

Robinson was of course right to say that according to the labour theory of value equal amounts of (average socially necessary) labour are exchanged for equal amounts of labour – eight hours' labour for eight hours' labour, one working day for one working day. But it does not follow from this that the division of the working day into 'necessary' and 'surplus' labour must be the same everywhere. In one case the worker might work, perhaps, five hours 'for himself' and only three hours for the employer; in another case this might be the reverse. But haven't we smuggled in the assumption of uniform wages? This would not improve the matter. Wages may be equal in each of the factories, but the length of the working day – with equal hourly wages – or the intensity of labour can be different. Equal amounts of labour would be exchanged in both cases, and if the organic composition of capital in both plants is the same as the average organic composition of the total social capital, then these values will correspond to prices. But the rates of exploitation could well be different – in contrast to Joan Robinson's assertion. In other words, labour-time as a measure of value is in no way dependent on equal rates of exploitation – and it is amazing, to put it mildly, to see Marx's (or Ricardo's) theory of value interpreted in such a way.

2. On the other hand, Marx never said that because competition leads to the formation of a general rate of profit, 'the rates of exploitation (in different industries) cannot be uniform'. And he similarly never confused the rate of exploitation (i.e. the rate of surplus-value) with 'profits per worker . . . which the capitalists actually enjoy', (i.e. after the originally different rates of profit in different industries have been equalised into a uniform rate of profit). What he actually maintained is the exact opposite: Because equal numbers of workers, who are employed in industries with differing organic compositions of capital, with other conditions being the same (same working time, intensity of labour etc.), produce the same amounts of surplus-value, a transformation of values into 'production prices' must take place, if an average rate of profit is to prevail. The difference is obvious.

3. Marx never maintained that the rate of exploitation would vary with the amount of capital per worker employed – in other words, that the size of the surplus-value produced is a function of the constant capital employed! Such an assertion would have been utterly nonsensical to him. The 'relative predominance of the constant part of capital over the variable' certainly means a growth in the productivity of labour. More commodities, more use-values, can be produced. But that in no way signifies that somehow the workers in industries which employ a larger amount of constant capital automatically create more surplus-value. (An increase in the rate of

surplus-value through increased productivity can only be achieved if the industries producing the means of subsistence are able to supply cheaper consumer goods for the workers, and if the 'necessary' part of the working day is thereby reduced. But this affects all workers in all industries.) Indeed, it would require a lively imagination to ascribe such a 'productivity' theory of surplus-value to Karl Marx![34] We see, then, that it was not Marx himself, but Joan Robinson who 'entangled him in an artificial difficulty', by imputing three axioms to him, which correspond to nothing in his theory. And it is she too who provides him with an easy solution to the 'difficulty' by introducing the only too well-known value-creating power of capital. Just imagine: Marx was perfectly conscious of this solution, yet he still expended years of time and effort to construct the complicated 'rigmarole' in Volume III . . . What a stubborn Hegelian metaphysician he must have been!

3. Marx's search for a social elixir. The problem of value in a socialist society

So much, then, on Marx's theory of value. Finally, however, we are offered some consolation: although, according to Joan Robinson, 'common sense' compelled Marx to admit that the law of values does not function correctly 'under capitalism', he did, however, believe that at least under socialism 'the labour theory of value would come into its own'.[35] In other words, he was clearly a utopian socialist, for whom the labour theory of value did not so much represent the result of pure scientific analysis as rather an artifice to bring about an 'ideal system of pricing'[36] and in so doing secure the realisation of a just world! No wonder that Robinson devotes a particular chapter of her book to Marx's alleged views on the 'Problem of Value in Socialist Society',[37] and primarily to his supposed postulate 'that in a rational economic system prices should be made to correspond to values': and further that she honestly thinks she has discovered the 'substantial meaning of Marx's theory' in this

[34] Robinson cites with approval (from Engels's Preface to Volume III of *Capital*) the view of the Swiss Professor J.Wolf that, according to Marx, 'the production of relative surplus-value rests on the increase of constant capital *vis-à-vis* variable capital', since 'a plus in constant capital presupposes a plus in the productive power of the labourers'. As this view corresponds to Robinson's own it is worthwhile quoting Engels's reply: 'Whenever there is a chance of making a fool of himself over some difficult matter, Herr Professor Wolf, of Zurich, never fails to do so.' And after he has quoted what Wolf has to say, he continues: 'True, Marx says the very opposite in a hundred places in the first book; true, the assertion that, according to Marx, when variable capital shrinks, relative surplus-value increases in proportion to the increase in constant capital, is so astounding that it puts to shame all parliamentary declamation; true, Herr Julius Wolf demonstrates in his every line that he does not in the least understand, be it relatively or absolutely, the concepts of relative and absolute surplus-value.' (*Capital* III, p.15.) As we can see, Robinson had sufficient warning against repeating Wolf's mistake. Despite this, she does not only take over his interpretation, but even chastises Engels for simply 'abusing Wolf without entering into any argument' although 'it is impossible to see wherein Wolf's statement differs from the above statement by Marx' – as if Engels was obliged to deal, in detail, with every crude misunderstanding of Marx's theory.

[35] *Essay*, p.23.

[36] *ibid.* p.24.

[37] Here is an example of how thoughtlessly Robinson uses passages from Marx. She quotes the following passage from Volume III of *Capital*: 'Only when production is under the conscious and prearranged control of society, will society establish a direct relation between the quantity of social labour-time employed in the production of definite articles and the quantity of the demand for them . . . The exchange, or sale, of commodities at their value is the rational way, the natural law of their equilibrium.' (*Essay*, p.23.) The reader naturally assumes both these sentences relate to the socialist society. But this would be wrong, as Marx, in fact, says exactly the opposite. We read on pp.187-88 of Volume III: 'Every individual article, or every definite quantity of a commodity may, indeed, contain no more than the social labour required for its production, and from this point of view the market value of this entire commodity represents only necessary labour, but if this commodity has been produced in excess of the existing social needs, then so much of the social labour-time is squandered and the mass of the commodity comes to represent a much smaller quantity of social labour-time in the market than is actually incorporated in it. (It is only where production is under the actual, predetermining control of society that the latter establishes a relation between the volume of social labour-time applied in producing definite articles, and the volume of the social want to be satisfied by these articles.) For this reason, these commodities must be sold below their market value, and a portion of them may even be altogether unsaleable. The reverse applies if the quantity of social labour employed in the production of a certain kind of commodity is too small to meet the social demand for that commodity. But if the quantity of social labour expended in the production of a certain article corresponds to the social demand for that article . . . then the article is sold at its market value. The exchange or sale of commodities at their value is the rational state of affairs, i.e. the natural law of their equilibrium. It is this law that explains the deviations, and not vice versa, the deviations that explain the law.'

As we can see, the entire section is concerned with capitalist society, with the exception of the sentence in brackets, in which Marx expresses the view that the future socialist society will not squander the labour-time of its members, as capitalist society does . . . But this does not prevent Robinson from attributing Marx with the view that the sale of commodities at their values will also be the 'natural law' under socialism.

fantasy[38] (shades of Proudhon!). One could perhaps take all this seriously if it at least bore some resemblance to the theory under discussion. But Marx never tired of attacking both Proudhon and all the other utopians who wanted to turn the world upside down by means of a specially constructed 'just system of exchange'. He repeatedly and emphatically stated that value is an historical category, a particular mode of expression of the social function of labour in a society of commodity owners, and that consequently it must, of necessity, disappear in a socialist society.[39]

Thus, in the *Critique of the Gotha Programme* he wrote: 'Within the co-operative society based on common ownership of the means of production, the producers do not exchange their products: just as little does the labour employed on the products appear here *as the value* of these products, as a material quality possessed by them, since now, in contrast to capitalist society, individual labour no longer exists in an indirect fashion but directly as a component part of the total labour.'[40] And in *Capital*: 'The product of labour is an object of utility in all states of society; but it is only a historically specific epoch of development which presents the labour expended in the production of a useful article as an "objective" property of that article, i.e. as its value.'[41] In fact: 'Something which is only valid for this the particular form of production, the production of commodities, namely the fact that the specific social character of private labours carries on independently . . . assumes in the product the form of the existence of value, appears . . . to be just as ultimately valid as the fact that the scientific dissection of the air into its component parts left the atmosphere itself unaltered in its physical configuration.'[42]

This explains why bourgeois political economy 'has never once asked the question why labour is expressed in value and why the measurement of labour by its duration is expressed in magnitude of the value of the product: These formulas, which bear the unmistakeable stamp of belonging to a social formation in which the process of production has mastery over man, instead of the opposite, appear to the political economists' bourgeois consciousness to be as much a self-evident and nature-imposed necessity as productive labour itself.'[43]

[38] *Essay*, p.24.
[39] See Chapter 28, pp.428-36 above.
[40] *Critique of the Gotha Programme* in *Selected Works*, pp.319-20.
[41] *Capital* I, pp.153-54 (61).
[42] *ibid.* p.167 (74).
[43] *ibid.* pp.174-75 (80-81).

It is hardly surprising, then, that already during his own lifetime a number of bourgeois academics tried to attribute Marx with the very same view that we have encountered in Joan Robinson's critique, and that he in turn felt obliged to explain that in the course of his investigation of value he 'was concerned only with bourgeois relations, not with the application of the theory of value to a "social state" which Herr Schäffle has constructed for me.'[44]

However, the reader can be certain that the late Austrian Professor Schäffle would not have been a match for Joan Robinson, for in the final analysis he only succeeded in constructing a 'social state' for Marx, whereas Joan Robinson not only created an 'ideal pricing system', but also held out the prospect of 'private saving in a socialist economy' – even, in fact, a socialist income tax and profit tax! But what is one supposed to do with a Keynesian critic who, with unbelievable naïveté turns Marx into a traditional Proudhonist and does not even realise that for Marx 'value' (like nearly all his economic categories) represents not a natural but an exclusively historical category, and that, consequently, Marx never attempted to put together some kind of recipe for the 'socialist kitchen of the future'?

II. MARX'S THEORY OF THE ESSENCE OF CAPITALIST EXPLOITATION AND HIS CONCEPT OF CAPITAL

Up till now we have simply been concerned with Robinson's attacks on the basis of Marx's theoretical system – his theory of value. However, one must be consistent; if we abandon the concept of value, we can no longer retain the concept of surplus-value. With this, we not only destroy the basis, but also the cornerstone of this system – and all the categories of Marx's economics must either be abandoned, or totally revised. This even applies to the apparently simple concept of the 'rate of exploitation', as the ratio s : v is clearly conceived as a value relation. So what is left of Marx's entire system?

What is left, in fact, is the general idea of 'exploitation' and surplus labour – as distinct from surplus-value. This is scarcely enough for the likes of us, but Joan Robinson manages brilliantly with it. She asserts that Marx's 'primitive labour theory of value' has proved to be a complete failure. Nevertheless, 'he used it to express

[44] Marx's last economic work, the *Marginal Notes on Adolf Wagner*, *MEW* Vol. 19, pp.360-61.

certain ideas about the nature of the capitalist system, and the importance of these ideas in no way depends upon the particular terminology in which he chose to set them forth'.

And what do these 'ideas' actually consist of? Simply 'that the possibility of exploitation depends on the existence of a margin between total net output and the subsistence minimum of the workers: If a worker can produce no more in a day than he is obliged to eat in a day he is no potential object of exploitation. This idea is simple and can be expressed in simple language without any apparatus of specialised terminology.' And 'it is precisely these simple and fundamental characteristics of capitalism' which were explained by Marx but which became 'lost in the maze of academic economic analysis'.[45]

We see, then, that the 'simple and fundamental characteristic of capitalism' consists in the existence of surplus labour! But surplus labour is as old as the history of human civilisation: 'Capital', says Marx, 'did not invent surplus labour. Wherever a part of society possesses the monopoly of the means of production, the worker, free or unfree, must add to the labour-time necessary for his own maintenance an extra quantity of labour-time in order to produce the means of subsistence for the owner of the means of production, whether this proprietor be the Athenian aristocrat, an Etruscan theocrat, a *civis Romanus*, a Norman baron, an American slave-owner, a Wallachian boyar, a modern landlord or a capitalist.'[46]

However, it ought to be obvious that if this is all we know about capitalism, then we know virtually nothing at all, since it is precisely the 'specific economic form in which unpaid surplus labour is pumped out of the direct producers', which 'determines the relationship of rulers and ruled', and also distinguishes the various historical epochs from one another.[47]

We read in Engels: 'Surplus labour, labour beyond the time required for the labourer's own maintenance, and appropriation by others of the product of this surplus labour, the exploitation of labour, is therefore common to all forms of society that have existed hitherto, insofar as these have moved in class antagonisms. But it is only when the product of this surplus labour assumes the form of surplus-value, when the owner of the means of production finds the free labourer – free from social fetters and free from possessions of his own – as an object of exploitation, and exploits him for the purpose of the production of *commodities* – it is only then, according to Marx, that the means of production assume the specific character of capital.'[48]

[45] *Essay*, p.17.
[46] *Capital* I, pp.344-45 (235).
[47] *Capital* III, p.791.

It is clear, therefore, that Marx's analytical apparatus is the only means by which the specifically capitalist mode of exploitation can be understood; that is, employing the categories of 'value' and 'surplus-value'. It is hardly surprising, then, that Joan Robinson confined herself to the general (and hence totally vague) notion of exploitation as such,[49] without trying to analyse the particular features of the specifically capitalist mode of exploitation. This reminds one of Dühring who 'annexed the surplus labour discovered by Marx, in order to use it to kill off the surplus-value, likewise discovered by Marx, which for the moment did not suit his purpose.'[50] And consequently her conclusions are not much better than those of Dühring.[51]

The best example of this is shown by her treatment of the category of capital. We saw how she accused Marx of not applying his own theory consistently, and how she even imputed a 'fetishistic' concept of value to him. But what did she learn from this epoch-making theory herself? Unfortunately very little. This is because, like Dühring, (and like all present-day 'academic' economists), she regards capital as a thing, as a mere means of production, and not as a social relation. In her eyes it is a natural, not a socio-historical category. So it is not surprising that she rebuked Marx for his 'logic-chopping theorising' in the following way: 'Next Marx uses his analytical apparatus to emphasise the view that only labour is productive. In itself, this is nothing but a verbal point. Land and capital produce no value, for value is the product of labour-time. But fertile land and efficient machines[52] enhance the productivity of labour in

[48] *Anti-Dühring*, p.248.
[49] Robinson remarks, with a certain pride, that 'the modern theory of imperfect competition, though formally quite different from Marx's theory of exploitation, has a close affinity with it'. (*Essay*, p.4.) However, in our humble opinion this 'affinity' is about as close as that between the *Communist Manifesto* and the Encyclical *Rerum Novarum*; i.e. it mainly consists in the simple word 'exploitation' which is used both by Marx and the 'modern economists'. The specific nature of capitalist exploitation remains an impenetrable riddle for 'modern theory'.
[50] Engels, *Anti-Dühring*, p.248.
[51] The concept of 'economic surplus' has a different meaning from that used by Robinson. This concept is employed by the American theorists of underconsumption, Baran, Sweezy and Gillman, in place of Marx's concept of surplus-value. We offer no opinion as to whether this is merely a 'change in terminology' (as Sweezy says in a footnote on p.10 of *Monopoly Capital*).
[52] 'Capital' is here suddenly transformed into 'efficient machinery'; as if 'machinery' and 'capital' were synonyms!

terms of real output . . . Whether we choose to say that capital is productive, or that capital is necessary to make labour productive, is not a matter of much importance. What is important is to say that owning capital is not a productive activity. The academic economists, by treating capital as productive, used to insinuate the suggestion that capitalists deserve well by society and are fully justified in drawing income from their property. In the past a certain superficial plausibility could be given to this point of view by treating property and enterprise as indistinguishable. But this method of confusing the issue is no longer effective. Nowadays the divorce between ownership and enterprise is becoming more and more complete . . . The typical entrepreneur is no longer the bold and tireless businessman of Marshall, or the sly and rapacious Moneybags of Marx,[53] but a mass of inert shareholders, indistinguishable from *rentiers*, who employ salaried managers to run their concerns. Nowadays, therefore, it seems simple to say that owning property is not productive, without entering into any logic-chopping disputes as to whether land and capital are productive, and without erecting a special analytical apparatus in order to make the point. Indeed, a language which compels us to say that capital (as opposed to ownership of capital) is not productive rather obscures the issue. It is more cogent to say that capital, and the application of science to industry, are immensely productive, and that the institutions of private property, developing into monopoly, are deleterious because they prevent us from having as much capital, and the kind of capital, that we need.'[54]

We see here yet again that as soon as Joan Robinson begins to criticise she unfailingly misses the mark. It follows automatically from the standpoint of Marx's theory that only labour creates value. But that in no way means that in his eyes, the 'objective factors of production' are to be denied any form of 'productivity'. On the contrary : to the extent that these factors 'raise the level of production' they certainly contribute to the production of use-values (however, that is no reason to confuse the categories of use-value and value as Joan Robinson does). On the other hand, Marx continually stressed[55] that 'capital' (not land) is 'productive' in a different sense : as the ruling social relation of the bourgeois mode of production. We read in the *Grundrisse* and the *Theories* that the 'great historical mission of capital' consists in 'enforcing surplus labour' . . . 'This is why capital

[53] It is pure legend that Marx regarded the capitalist of his time merely as 'the sly and rapacious Moneybags'.

[54] *Essay*, pp.17-19.

[55] Cf. p.220ff above.

is *productive*; *i.e. an essential relation for the development of the social productive forces.*'[56]

Of course it does not follow from this that capital adds anything to the value of commodities, and that, in this respect, there is no distinction between the activities of the 'factor capital' and the 'factor labour', as Joan Robinson seems to suppose. On the contrary, the difference is enormous; it is no less great than the difference between the activity of a horse, and the 'activity' of the whip which makes it gallop. However, although capital produced no values, it has produced a particular form of exploitation which is indispensable for the development of the productive forces of a particular historical period. And it was in the position to do this precisely because it was 'owned', and not because it somehow functioned as a means of production, or because it furthered the 'application of science to industry'. Its real 'productivity' lies in its insatiable hunger for surplus-value. From this perspective the apparently self-explanatory concept of 'productive labour' acquires a special meaning, since in capitalist society the only labour which is 'productive' is that 'which directly enlarges capital'[57] (or, as Malthus formulated it, 'directly increases the wealth of its master'). Of course 'for a Vulgar Economist this is all a matter of definition' (here I quote Rosa Luxemburg). What is the difference whether we derive the meaning of the word 'productivity' from the relations between person and person, or from the relations between people and nature? The Vulgar Economists never once suspect that the question, 'What is productivity?' has to be looked at historically, and that such a perspective presupposes the use of the dialectical method, to which they object so much.[58]

However, what about the distinction between 'capital' and the 'possession of capital' which Joan Robinson places such weight on? Once more we encounter another old acquaintance, since exactly the same distinction has been the favourite idea of Bray, Gray, Proudhon and other utopian socialists from the year dot.

[56] *Grundrisse*, p.325.

[57] *Grundrisse*, pp.305-06.

[58] Luxemburg, *Ausgewählte Reden und Schriften* II, pp.202ff. Moreover: Gillman, the American 'underconsumptionist', in order to establish his theory of 'excess social surplus' in modern capitalism, regards it as necessary to attribute Marx with the view – based on a misunderstanding of a passage from Volume I of *Theories* (pp.396-97) – that 'only such labour is productive whose product is capable of re-entering the cycle of production . . . Thus workers who are engaged in the production of armaments are unproductive in this sense, even though their labour produces products and surplus-value.' It is quite clear that this view has nothing in common with Marx's own.

'If the workers are to be free, then capitalism must be destroyed. But this does not mean the destruction of "capital", but rather its preservation', wrote Bakunin.[59] Marx could only punish such a 'dichotomy' with contempt: We read in the *Rough Draft*: 'Capital . . . is necessarily the *capitalist*. Of course, socialists say, we need capital, but not the capitalist. Then capital appears as a pure thing, not as a *relation of production*.'[60] And in the *Theories* he wrote that when economists speak of the 'services' which capital performs in the production of use-values, they mean nothing other 'than that products of previous useful work serve anew as means of production, as objects of labour, instruments of labour and means of subsistence for the workers . . . But in this sense the word "capital" is quite superfluous and meaningless. Wheat is nourishing not because it is capital but because it is wheat. The use-value of wool derives from the fact that it is wool, not capital. In the same way, the action of steam-powered machinery has nothing in common with its existence as capital. It would do the same work if it were not capital, and if it belonged, not to the factory owner, but to the workers.'[61]

An understanding of Marx's particular concept of capital is, of course, a necessary condition of any discussion of his economic theory.

III. CONCLUDING REMARKS

We have only dealt with the main points of Joan Robinson's critique in this chapter, although she does in fact criticise other parts of Marx's system: his theory of wages, the theory of the falling rate of profit and his theory of crises. Since she does not offer anything new to the marxist reader, however, and what she does say has already been presented with greater effect by other critics of Marx, there is no reason for further discussion on these subjects.[62] And there is equally little reason to correct every misquoted passage and misunderstanding in her presentation of Marx.[63]

[59] Quoted from K.J.Kenafick, *Bakunin and Marx*, 1949, p.92.

[60] *Grundrisse*, p.303.

[61] *Theories* III, p.264.

[62] The main reason why we dealt with Joan Robinson's critique of Marx's law of the falling rate of profit in the 'Appendix' to Part V of this book is because of the influence it has had on the Anglo-Saxon school of marxism (Sweezy, Gillman).

[63] A few examples will suffice:

I. On p.20 of the *Essay* she informs us that, according to Marx, the labour employed in 'packing and preparing commodities for market creates no value'. Exactly the opposite is the case! We read on p.634 of the *Grundrisse*: 'Insofar as trade brings a product to market . . . it gives the product a new use-value (and this holds right down to and including the retail grocer who weighs, measures, wraps the product and gives it a form for consumption) and this new use-value costs labour-time, is therefore at the same time exchange-value.' And Marx says exactly the same in Chapter XVII of Volume III and Chapter VI, Section III of Volume II of *Capital* which Robinson refers to in this context.

II. On p.17 of the *Essay* we read: 'According to Marx's own argument, the labour theory of value fails to provide a theory of prices'. Of course Marx never said this. On the contrary: he referred his readers to the specific 'analysis of competition' which he intended to write, and where the 'real movement of prices would be observed'. (*Capital* III, p.831.)

III. Finally she astounds her readers on p.91 with the discovery that, according to Marx, 'a rise in money wages causes a rise in real wages, and a rise in real wages causes unemployment'. It would be superfluous to quote Marx in reply to this, as everything which he wrote on this subject contradicts this statement.

On the other hand, a considerable part of her essay is concerned with a discussion of the supposed 'affinity' between Marx's and Keynes's theory (which we consider to be largely imaginary or at least overestimated). Since this does not come under the scope of this chapter we shall confine ourselves to a few concluding remarks.

We have shown how little there is to be learnt from Joan Robinson's critique of Marx! But is this all there is to be found in her book? Doesn't she constantly stress that as a rule the workers are exploited by their employers in present-day society? And doesn't she even attack the capitalist's sacred 'rights of property'? She certainly does do this. She even regards her position as one of the special gains of the 'modern tendency' of political economy – although the 'modern tendency' has to be considerably narrowed down to permit such an interpretation. But this doesn't matter. Joan Robinson should not, at least as an individual, be lumped together with the apologist political economists (including Lord Keynes), but should rather count as a representative of a socialist current in present-day bourgeois economics.

It is of course true that her socialism has its own unique hue. It is heavily reliant on crutches borrowed from the pre-marxist stock of ideas, especially from the godfather of all petit-bourgeois socialisms, Proudhon. And this is not a coincidence as Joan Robinson's socialist conclusions reflect the mood of relatively broad strata of the rebellious bourgeois intelligentsia of today. These strata have lost their belief in the progressive role of the capitalist class; they are deeply disturbed by the 'anti-social practices of the monopolies' and

the economic instability 'of this bedevilled age',[64] and consequently they set their hopes on a nationalised, state-capitalist economy, which would curb the threatening economist chaos, bring about a 'fairer distribution of wealth among the factors of production'[65] and bless us with 'so much capital, and the kind of capital we need'. Hence the sudden dissemination of populist 'Keynesianism' as an ideology which reflects this mood in its iridescent diversity. However, this populist Keynesianism has very little to do with the particular doctrines of Keynes and his school, and one should not hold them responsible for it. Nevertheless – as soon as the academic Keynesians leave their own domain and venture onto the so-called ideological terrain, this unique sub-current of Keynes's economics becomes clearly visible, and we are once more haunted by the ghost of Proudhon! But seen now in this light, the 'socialist' tendencies in Joan Robinson's writing, which so disturbed the late Professor Schumpeter,[66] no longer present anything special or inexplicable.

[64] *Essay*, pp.3ff.
[65] Robinson, *Economics of Imperfect Competition*, p.320.
[66] 'Still more curious [than P.M.Sweezy's book] and a kind of psychological riddle is Joan Robinson's *Essay on Marxian Economics*.' (J.Schumpeter, *History of Economic Analysis*, p.885.)

34·
Neo-Marxist Economics

The wide-ranging, but sadly unfinished text-book by Oskar Lange[1] is to our knowledge the only work in more recent academic marxist literature which consciously, and in detail, takes up the question of the methodology of Marx's *Capital*. This is why the concluding chapter of this book is devoted to this work.

We confine ourselves to the discussion of two questions. That of the object, and that of the method of political economy.

I. A SEEMINGLY DOGMATIC CONTROVERSY

The traditional practice of marxist theory before and after the First World War was to confine the subject matter of political economy merely to the study of the laws of motion of the capitalist, or commodity, economy. This view is rejected both by current Soviet theory and by Western academic theory. In this sense Lange writes: 'Confusion of the concept of the spontaneity[2] of the operation of economic laws with the concept of the objectivity of economic laws has led some economists to the false conclusion that there are no objective economic laws in the socialist formation and that the fact that their spontaneity has been overcome is the result of the fact that they have ceased to operate.' Hence the assertion by these economists 'that in socialist society the science of political economy loses its subject matter. At the most it could only engage in the retrospective examination of pre-socialist formations. Rosa Luxemburg held this view.' Their mistake, concludes Lange, 'is a double one: In the first place they confuse the spontaneity and objectivity of economic laws. And they conclude from the fact that their spontaneity is overcome, that such laws no longer exist at all. This is also the reason why they,

[1] Oskar Lange, *Political Economy* Vol.I, London 1963.
[2] Engels interprets the term 'spontaneous' (*Naturwüchsig*) as 'arising gradually, without intention'.

incorrectly, confine the subject matter of political economy to those relations in which the law of value is operative. And in the second place – in opposition to Luxemburg and Bukharin – the law of value is still valid in the socialist mode of production, although the operation of this law is no longer natural, but rather corresponds to the aims of an organised society.'[3]

These somewhat casually offered criticisms demand a detailed reply.

It is certainly the case that Luxemburg and Bukharin restricted political economy to the investigation of the laws of commodity production. (Except that Lange forgets to add that the same opinion was shared by Hilferding,[4] Schmidt and Boudin, among others.) However, on what basis does Lange impute to Luxemburg and Bukharin the view that there would be no 'objective economic laws' under socialism, and that such laws cannot be found in pre-capitalist societies? He is certainly unable to offer any passage from either author which would allow such a strange interpretation.[5] His only authority is Karl Kautsky, from whose work *Die Materialistische Geschichtsauffassung* he approvingly cites the following long passage: 'This is perhaps a suitable point to draw attention to a mistake which is not uncommon even in socialist circles. It is asserted that it is a peculiarity of commodity production that it operates according to laws. This is supposedly due to the fact that commodity production is carried on anarchically by a great number of producers each of whom disposes of his own means of production. The situation is held to be quite different when society itself takes over the ownership of the means of production. Production can

[3] Lange, *op. cit.* pp.84-85.

[4] See his essay, '*Zur Problemstellung der theoretischen Ökonomie bei Karl Marx*', *Die Neue Zeit*, 1904, pp.105, 107.

[5] It is sufficient here to refer to two passages in the *Accumulation of Capital* where Rosa Luxemburg expressly speaks of 'economic laws' which in her view are valid for all human societies. Thus on p.258 she characterises the fact that in the course of history 'living labour is increasingly able to convert more means of production into objects of use in an ever shorter time' as a 'law . . . valid for all economically progressive societies, independent of their historical forms'; and on p.321 we read: 'The formula *c* greater than *v*, translated from the language of capitalism into that of the social labour process, means only that the higher the productivity of human labour, the shorter the time needed to change a given quantity of means of production into finished products. This is a universal law of human labour. It has been valid in all pre-capitalist forms of production and will also be valid in the future in a socialist order of society.' These quotations speak for themselves. We assure the reader that the same also applies to Bukharin.

then be organised exactly as society sees fit, quite independently of all economic laws.'

'This,' continues Kautsky, 'is a mistake. If a manufacturer organises a factory, he cannot behave arbitrarily just as he pleases even though he can freely dispose of his own means of production. If certain natural laws of production are not taken into account his enterprise will never be capable of producing anything . . . The difference between capitalist and socialist production is of another kind. In capitalist production it is impossible for the adjustment of production to economic laws to take place without the occurrence of crises. In the socialist mode of production, however, it is possible consciously to adjust production to the natural laws of the mode of production and in this way to maintain the flow of the productive process without catastrophes and crises. This, of course, presupposes that these natural laws are studied. A socialist society which believes that these laws can be opposed by force if only it controls the means of production will aways come to grief.'[6]

We can ignore for the moment the way in which Kautsky reprimands the Bolsheviks.[7] However, we cannot overlook the strange 'natural laws of production' whose existence he asserts with such conviction. It is, of course, in fact true that neither Luxemburg nor Bukharin attached much importance to such laws, for the simple reason that they shared Kautsky's pre-war opinion, according to which the investigation of the 'natural laws of production' is in fact the job of mechanics and chemistry, not political economy.[8]

But what did Luxemburg and Bukharin actually think? Why did they cling to the idea that political economy's sole concern is the investigation of the laws of commodity production? One thing is certain, it was not for the reason which Lange ascribed to them. It is sufficient to read through a few pages from Rosa Luxemburg's *Einführung in die Nationalökomonie* to appreciate this: She asks,

[6] Kautsky, *Die Materialistische Geschichtsauffassung* Vol.I, 1927, pp.876-77.

[7] This passage, which was omitted from the Polish translation used by Lange, reads: 'The Bolsheviks, who thought it was enough to become masters of the means of production in order to run the economy as desired, have paid dearly for their mistake – or rather it was the Russian people which had to pay the penalty. As the old saying runs: When the kings (or dictators) rave, the people get the beating.'

[8] Kautsky wrote, 'Marx's intention in *Capital* was to investigate the capitalist mode of production . . . He did not concern himself with natural laws, which are the basis of production; their study is the task of mechanics and chemistry, not political economy.' (Karl Kautsky, *Karl Marx' Ökonomische Lehren*, 2nd Edition, 1906, p.3.)

can there be a 'universal' science of political economy which can be applied, with equal validity, to capitalism, as well as to pre-capitalist societies? She answers no, because in contrast to the production relations of capitalism, those of pre-capitalist societies were so 'self-evidently simple and transparent' that they did not require 'dissection by the scalpel of political economy'. What is immediately obvious in the study of such societies is that 'there need determines and channels labour so directly, and the result corresponds so precisely to the intention and the need', that 'all connections, causes and effects, labour and its result are entirely open to view . . . One can twist and turn the economy as one likes, one finds no riddles which can only be discovered by means of a deep analysis, by means of a special science.' Of course this economy can and must constitute the object of research into its sociology and economic history;[9] but a special economic theory does not seem to be appropriate here.

The situation is quite different with the economics of capitalism, as we read further on in Rosa Luxemburg's book: 'If we look into one individual private enterprise, a modern factory, or a huge complex of factories and works, such as Krupp, or at an agricultural ranch in North America, then we find there the strictest organisation, the most extensive division of labour, the most refined forms of planning based on scientific findings. Everything works marvellously – directed by one will, one mind. However, no sooner have we left the gates of the factory or the farm, than we are greeted by chaos. Whereas the numerous individual parts are highly organised, the whole of the so-called "people's economy" (*Volkswirtschaft*), i.e. the capitalist world economy, is totally disorganised. In this totality, which envelops oceans and continents, no plan, consciousness, or regulation makes itself felt; only the blind rule of unknown, unfettered forces plays its capricious game with the economic destiny of mankind . . . And it is precisely this', concludes Rosa Luxemburg, 'which produces the unpredictable and puzzling result which makes

[9] Luxemburg wrote: 'The most stupid peasant knew in the Middle Ages that his dire situation had a simple and direct cause; first, the unlimited extraction of taxes and forced labour by the landlord; second, the theft by the same lords of common land, woods, meadows and rivers. And the peasant pronounced what he knew to all the world in the peasant wars . . . The only matter here which remained to be scientifically explained was the question of the historical source and development of those relations, the question as to how it could come about that throughout Europe the formerly free rural estates were transformed into medieval lordships, to which interest and taxes were due, and the formerly free peasants into a mass of subjects, first obliged to provide forced labour and later bound to the land.' (*Einführung in die Nationalökonomie*, in *Ausgewählte Reden und Schriften* Vol.I, p.470.)

the economy into an alien phenomenon, estranged to us, and independent of us, whose laws we must discover in the same way as we investigate the phenomena of nature, as we seek to discover the laws which govern the life of the plant and animal kingdom, the changes in the crust of the earth and the movements of the atmosphere.'[10] This, then, is Rosa Luxemburg's view. With all the best will in the world it is impossible to discover in her statements the 'confusion of spontaneity and objectivity' which Kautsky and Lange impute to her: even less so, as the pages from her *Einführung* which we have cited, are essentially a paraphrase of the train of thought which can already be found in Marx's *Capital*. Marx teaches that what characterises bourgeois society is that there is no *a priori*, 'conscious social regulation of production'. It is therefore a society in which the social relations of production confront people as alien, reified and ruling powers, and in which 'what is rational and necessary . . . can only assert itself as a blindly working average'.[11] And the form in which it asserts itself is that of 'automatically operating' 'natural laws of society' of production and exchange,[12] independent of the will of people, which in the first instance remain unknown to the producers

[10] Luxemburg, *ibid.* pp.464, 468-69, 480-81.

[11] Letter to Kugelmann, 11 July 1868, *Selected Correspondence*, pp.195-97.

[12] The way in which Lange interprets the marxist concept of 'natural laws of society' is interesting. In his opinion all that Marx wishes to express by the term 'natural law' is that this is a question of 'iron laws', 'independent of human will' – i.e. objective economic laws. (Lange, *Political Economy*, pp.57-58, note 18.) And because all economic laws – be they in a capitalist, pre-capitalist or socialist society – have this character of objectivity, then the economic laws of all societies can and must be regarded as 'natural laws'. (This creates a bridge to 'eternal' supra-historical economics.) However, Marx in fact characterised as 'natural laws' only those economic connections which impose themselves 'as a blind law upon the agents of production' instead of being 'understood and controlled by their common mind' (*Capital* III, p.257) – that is, only the laws of commodity production, and above all of capitalist production, for only the latter form of production exhibits economic conditions 'which assert themselves without entering the consciousness of the participants and can themselves be abstracted from daily practice only through laborious theoretical investigation'. (*ibid.* p.899.) George Lukacs demonstrated in *History and Class Consciousness* (pp.231-32) that this is the real meaning of Marx's 'natural laws of society'.

The same interpretation of natural laws as that of Lange can be found in the Soviet philosopher, Rosenthal, in whose book *Die Dialektik in Marx' 'Kapital'* we read: 'Marx stresses with the use of the concept of "natural-historical processes" the fact that processes in society as well as in nature are conditioned by objective laws.' (pp.43-44.) This is yet another instance where we can see the tendency towards absolutising Marx's essentially dialectical concepts.

themselves and must be discovered and deciphered *post festum.* Of course this is true only as long as social development resembles a 'process of natural history' and society consequently requires a special science, whose task it is to advance in the manner of the natural sciences, from the phenomena on the surface of economic life to the 'inner law' of these phenomena, to their 'hidden inner essence'.[13] Thus, it is only the reified and mystified form of the bourgeois relations of production, their apparent natural law-like behaviour which, in Marx's view, requires scientific explanation and which constitutes the *raison d'être* of the specific science of political economy.

However, stresses Marx, 'The whole mystery of commodities, all the magic and necromancy that surrounds the products of labour on the basis of commodity production, vanishes . . . as soon as we come to other forms of production.' Marx means here primarily the 'Asiatic and ancient etc. modes of production' in which 'the transformation of the product into a commodity, and therefore men's existence as producers of commodities, plays a subordinate role', and for this reason they appear 'as extraordinarily simpler and more transparent' than the mode of production of capital.[14] However, the same simplicity also characterises the feudal society of the middle ages for the reason that in this form of society 'personal dependence forms the given social foundation, there is no need for labour and its products to assume a fantastic form different from their reality . . . The corvée can be measured by time just as well as the labour which produces commodities, but every serf knows that what he expends in the service of his lord is a specific quantity of his own personal labour-power. The tithe owed to the priest is more clearly apparent than his blessing. Whatever we may think, then, of the different roles in which men confront each other in such a society, the social relations between individuals in the performance of their labour appear at all events as their own personal relations, and are not disguised as social relations between things, between the products of labour.'[15]

[13] Classical economy, stressed Lukacs, 'with its system of laws is closer to the natural sciences than to any other. The economic system whose essence and laws it investigates does in fact show marked similarities with the objective structure of that Nature which is the object of study of physics and other natural sciences. It is concerned with relations that are completely unconnected with man's humanity . . . Man appears in it only as an abstract number, as something which can be reduced to number or to numerical relations. Its concern, as Engels put it, is with laws that are only understood, not controlled.' (*op. cit.* p.232.)

[14] *Capital* I, p.172 (76).

[15] *ibid.* p.170 (77).

And finally the same amazing transparency is also offered by the 'association of free individuals' of the future, 'expending their many different forms of labour-power in full self-awareness as one single labour force' : 'The total product of the association is a *social* product. One part of this product serves as fresh means of production and remains social. But another part is consumed by the members of the association as means of subsistence. This part must therefore be divided amongst them. The way this division is made will vary with the particular kind of social organisation of production, and the corresponding level of social development attained by the producers.' Although this may vary, the social form does not offer anything of a secretive nature : 'The social relations of the individual producers both towards their labour and the products of their labour are here transparent in the simplicity in production as well as in distribution.'[16]

The critics of Luxemburg might well agree that Marx did indeed contrast the 'simplicity' and 'intelligibility' of the relations of production of all non-capitalist societies with the 'mystical veil'[17] which shrouds capitalist relations of production; and it is also true that one can find many passages in Marx which view the specific task of political economy as being the investigation of the capitalist economic order.[18] But does it follow from this that we can manage without a theory of political economy of non-capitalist societies, as Rosa Luxemberg supposed? Engels apparently held a different opinion ! He wrote, in *Anti-Dühring* : 'Political economy, in the widest sense, is the science of the laws governing the production and exchange of the material means of subsistence in human society. Production and exchange are two different functions. Production may occur without exchange, but exchange – being necessarily an exchange of products – cannot occur without production.' And in conclusion : 'The mode of production and exchange in a definite historical society, and the historical conditions which have given birth to this society, determine the mode of distribution of its products.' And further : 'The conditions under which men produce and exchange vary from country to country, and within each country from generation to generation. Political economy, therefore, cannot be the same for all

[16] *ibid.* pp.171-72 (79).

[17] *ibid.* p.173 (80).

[18] The very title of Marx's work, *Critique of Political Economy*, refers to the fact that Marx did not regard his task as being the refutation of this or that school or opinion in political economy, but of the whole of previous political economy as the theoretical reflection of the capitalist mode of production.

countries and for all historical epochs . . . Anyone who attempted to bring the political economy of Tierra del Fuego under the same laws as are operative in present-day England would obviously produce nothing but the most banal commonplaces. Political economy is therefore essentially a historical science. It deals with material which is historical, that is, constantly changing; it must first investigate the special laws of each individual stage in the evolution of production and exchange, and only when it has completed this investigation will it be able to establish the few quite general laws which hold good for production and exchange in general.'[19]

At first sight this seems to contradict Rosa Luxemburg's view; but to what extent? In order to answer this question we first have to agree upon the meaning of what Engels wrote. Engels defined political economy as a science of the laws 'which govern production and exchange', but at the same time pointed out that there could be societies without exchange (e.g. 'primitive communism' or the future socialist society). Engels's definition therefore seems *prima facie* simply to say that the object of political economy cannot be extended beyond societies with exchange (i.e. commodity-producing society). And this is the reason why Lange finds it necessary to 'correct' Engels by simply declaring that what Engels really meant is not 'exchange', but the 'distribution' of products among the members of society, and that we consequently have to define political economy as a science 'of the laws of production and distribution'![20] (However, Lange does not notice that such an interpretation would only precipitate us into new difficulties; for, as according to Engels, distribution is determined by the relations of production and exchange, we would be driven to the awful conclusion that distribution is determined by distribution!)

Nevertheless, let us leave such hair-splitting casuistry on one side! Those who do not approve of Engels's definition, those who feel that it is too narrow, are certainly free to replace it with another – to the effect that political economy 'in its widest sense' not only has the task of studying the economic relations of societies with exchange, but also societies without exchange, i.e. all human societies. But it is doubtful what would be gained by such a reinterpretation of Engels's defini- for the proponents of 'supra-historical economics'. This is because the very same Engels says directly on this point that – as an 'essen-

[19] *Anti-Dühring*, pp.177-78.

[20] 'Frederick Engels defined political economy as the science "of the laws governing the production and exchange of the material means of subsistence in human society". This agrees entirely with our definition. We have only replaced the term "exchange" by the term "distribution".' (Lange, *Political Economy*, p.6, note 6.)

tially historical science' – political economy primarily has to concern itself with the investigation 'of the special laws of each individual stage of development of production and exchange', and then only right at the end 'establish the few general laws which hold good for production and exchange in general'. The terrain of 'universal' (supra-historical) political economy is thereby brought down to a minimum and its significance substantially reduced. So it is not surprising when Lange complains that 'Engels does not fully appreciate the significance of this branch of political economy'.[21]

It must be admitted that Lange's recourse to Engels has not proved to be particularly convincing. But do we really have to devalue the classic works of socialism by treating them like the Holy Scriptures? Marx and Engels were only human, and therefore had the privilege of erring! Instead of relying on this or that 'text' we ought rather to learn from the experience of present-day Soviet economics, which has made several attempts to create a handbook of political economy in its 'widest sense'. Can these attempts be regarded as successful? Hardly. What they offer the reader is merely an amalgam of incoherent parts – of the economic history of pre-capitalist social formations, the economic theory of capitalism, as provided by Marx, and the descriptive-normative theory of the present-day Soviet economy. All this can certainly be characterised as the 'science of economics' in its broadest sense. And it is certain that neither Rosa Luxemburg nor Bukharin would have disputed it. They merely asserted that we do not require a particular economic theory of socialism and pre-capitalist social formations – on the lines of the theories of Ricardo and Marx. So, finally, the whole controversy seems to dissolve into a purely terminological dispute.

However, this terminological difference is in fact an appearance which conceals a very real difference. Lange and other economists of the 'Eastern bloc' know only too well that the social and economic order, whose interpreters they are, can in no way claim to have overcome the reification and law-like nature of economic phenomena, and that in the interests of its self-preservation this economic structure must, in fact, do its utmost to create the greatest possible space for market forces within the overall context of central planning. Consequently what these economists strive for is a narrow and specialised discipline of 'state-economics', a 'socialist public-finance' which – following the example of the economic theory of the West – accepts the categories of commodity, money and the market as things which

[21] *ibid.* p.95, note 2.

are the eternally given data of economic life[22] and which consciously rejects the 'utopian' idea of the 'simplicity' and 'intelligibility' to be sought in socialist relations of production. And if the advocates of this view still appeal to Marx and Engels this is only intended to accommodate the letter of marxism to a social practice which becomes and must become increasingly distant from its spirit.

II. ON THE METHOD OF MARX'S ECONOMICS

1. It is evident that if one does not wish to confine the task of economic theory to the study of capitalist society alone, but rather, instead of this, strives for the creation of an economic theory of all succeeding social formations – and if one simultaneously hankers after a 'timeless', 'universal' political economy – then one would also select a methodology which corresponded to this end and which can be equally applied to the relations of production of monopoly capitallism, and to those of Tierra del Fuego. However, in this case the specific methodology of Marx's *Capital* would necessarily come off second best and would have to be replaced by more or less useful academic discussions on the method of economic science 'as such'.

Oskar Lange devotes no less than three chapters of his work to questions of methodology. We have already looked at one of these chapters (on the nature of 'economic laws') in the preceding part of our critique, and it is unnecessary to come back to it now. The second contains a (somewhat dubious) presentation of the materialist conception of history; however, since sociology cannot serve as a substitute for political economy, the methodological value of this chapter is very questionable. What remains is the third chapter which deals directly with the 'Method of Political Economy'. Unfortunately this chapter also offers the reader no more than the popular presentations

[22] This is naïvely put by the Polish economist Temkin, according to whom Marx's 'polemical' economic theory has to be transformed into a 'positive' and 'constructive . . . theory of the socialist economy'. 'It became clear in the 1930s that even in a developed socialist society commodity and money relations cannot be completely superseded. One therefore adjusted oneself to this by the fact that although central planning and the market represented opposing economic forms, they should complement and correct one another.' The issue is then to discover 'how, with the retention of central planning as the power which determines general social and economic goals, market forces can fulfil the role of the economic stimulus and the determinant of details of economic development'. (Temkin, *Karl Marx' Bild der kommunistischen Wirtschaft*, Warsaw 1962, pp.24-25.)

of marxist economics which existed previously . . . In fact, we discover from it that Marx – in opposition to the majority of bourgeois economists – proceeded not only from social man (instead of from man 'as such'), but also from the social man of a particular historical period, and it is precisely this which separates his economics from present-day 'academic' economic science. These findings are, however, not especially novel, and above all, they fail to reveal the methodological assumptions which enabled Marx to bring about this epoch-making revolution in the science of economics.[23] In other words : What is missing from Lange's methodological chapter is the 'soul' of Marx's method of political economy – his dialectic !

2. But isn't this a mere manner of speaking intended to annoy troublesome opponents – a piece of ritual, incomprehensible even to those who pretend to understand it?

At least for Marx himself the question of the application of the dialectic to the area of economic theory was of decisive importance ! This can be seen from the numerous critical comments on Ricardo's methodology, which can be found in Marx's works. The question primarily revolves around the role of abstraction in political economy. 'Ricardo', states Marx, 'consciously *abstracts* from the form of competition, from the appearance of competition, in order to comprehend the *laws as such*'. However, 'he must be reproached for not going far enough, for not carrying his abstraction to completion; . . . on the other hand one must reproach him for regarding the phenomenal as *immediate and direct proof* or exposition of the general laws, and for failing to interpret it. In regard to the first, his abstraction is too incomplete; in regard to the second, it is formal abstraction which in itself is wrong . . . The vulgar mob has therefore concluded that theoretical truths are abstractions which are at variance with reality, instead of seeing, on the contrary, that Ricardo does not carry true abstract thinking far enough and is therefore driven into false abstraction.'[24]

How should we interpret these critical remarks on Ricardo's method? Why are the abstractions which he uses to be regarded as on the one hand 'not far-reaching enough', and on the other as merely 'formal', i.e. as artificial? As far as the first criticism is concerned, we can find numerous examples of this. Let us recall the shortcomings of Ricardo's theory of value. In the first place, the theory is almost

[23] 'The results', wrote Engels, 'are nothing without the development which led to them – we already know that from Hegel.'

[24] *Theories* II, pp.106, 437.

exclusively concerned with the relative size of the value of commodities, but not the substance of value, i.e. value itself. Correspondingly, what is missing in Ricardo is any investigation of the specific character of value-creating labour – as distinct from those qualities which are ascribed to labour 'as the creator of use-values'.[25] On the other hand there is also no recognition of the fact that value-creating labour (although this is private labour in each concrete instance), must represent itself as its opposite, as universal social labour (which naturally presupposes the exchange of the products of labour, i.e. a historically specific mode of production).[26] Therefore Ricardo also fails to understand that 'exchange-value', which for him is the crucial issue, is simply a mode of appearance of value, and that the development of the value-relation itself must push towards this form, and finally, to the formation of money.[27]

These deficiencies in Ricardo's theory of value certainly bear witness to a 'deficient power of abstraction', the incapacity of the classical economists to see the qualitative aspect of the problem of value behind its quantitative aspect, and the substance of value behind the form of its appearance. In fact all these deficiencies can be reduced to a common denominator which consists in the fact that Ricardo (like all the classical economists) overlooked the most essential thing – the specific social form of value-creating labour, and naïvely equated this labour with human labour in general.[28]

Thus, according to Marx, it was the class-based limitation of the economics of Smith and Ricardo which in the final analysis resulted in its own 'lack of the theoretical understanding needed to distinguish the different forms of economic relations'.[29] Or, expressed

[25] *Capital* I, p.132 (41) and p.312, note 2 (p.204, note 1). That this is in no way mere hair-splitting is proved by the fact that it was only possible for Marx to discover the crucially important categories of constant and variable capital, organic composition of capital etc. on the basis of his differentiation of the 'twofold character of labour'.

[26] 'Ricardo's mistake is that he is concerned only with the magnitude of value. Consequently his attention is concentrated on the relative quantities of labour which the different commodities represent, or which the commodities as values embody. But the labour embodied in them must be represented as social labour, as alienated individual labour . . . This transformation of the labour of private individuals contained in the commodities into uniform social labour, consequently into labour which can be expressed in all use-values and can be exchanged for them, this qualitative aspect of the matter . . . is overlooked by Ricardo.' (*Theories* III, p.131.)

[27] Cf. p.124 above.

[28] Cf. *Capital* I, pp.173-74 (80-81).

[29] *Theories* I, p.92.

in terms of method, because the specific bourgeois forms of production appeared as immutable natural forms to the Classical economists, and because they proceeded from them as given presuppositions, it was in their interests not to interpret them 'genetically', but rather to 'seek to reduce them by means of analysis to their inner unity', i.e. to the law of value.[30] Consequently they had to regard the economic forms of the bourgeois mode of production as 'something merely formal which did not affect its content', the production of use-values, of goods.[31] Thus the methodological problem of the conflict between 'content' and 'form' could not arise for the classical economists. And this is the point where the dialectic comes into its own. For, according to the dialectical conception, each 'content' and the 'form' which it gives rise to are in constant interaction and struggle with one another – which on the one hand results in a shedding of the forms, and on the other a transformation of the content.[32] By contrast, if 'form' is regarded as something accessory, external to the content, then it is inevitable that either the form will be neglected, sacrificed to content (as in the case of the classical economists), or the attempt will be made to turn this form into an absolute. We can take as an example of the latter approach those Soviet economists who conclude from the fact that even a socialist society will have to distribute the amounts of social labour at its disposal, and measure it by labour-time, that the economic category of value will also prevail under socialism, i.e. from the supra-historical substratum of the determination of value they infer the supra-historical character of the form of value. It is clear then that the methodological importance of the dialectic for marxist economics cannot be estimated too highly![33]

The undialectical elements in the theoretical analyses of Ricardo and the classical economists can be seen, on the other hand, in their 'methodical avoidance of the categories of mediation',[34] in their efforts to deduce the phenomena on the surface of economic life 'by simple abstraction directly from the general law or to show by cunning argument that they are in accordance with that law'.[35] We know that,

[30] *Theories* III, p.500.

[31] *ibid.* p.54.

[32] Lenin said that one of the fundamental elements of the dialectic is the 'struggle of content and form, and conversely. The throwing off of the form and the transformation of the content.' (*Collected Works* Vol.38, p.222.)

[33] See Chapter 3 above on the significance of the problem of content and form for Marx's methodology.

[34] Lukacs, *op. cit.* p.176.

[35] *Theories* I, p.89.

according to Marx 'all science would be superfluous if the outward appearance and the essence of things directly coincided'.[36] However, in reality, 'the final pattern of economic relations as seen on the surface, in their real existence and consequently in the conceptions by which the bearers and agents of these relations seek to understand them, is very much different from, and indeed quite the reverse of, their inner but concealed essential pattern and the conception corresponding to it'.[37] Lukacs writes, commenting on this sentence by Marx: 'If the facts are to be understood, this distinction between their real existence and their inner core must be grasped clearly and precisely. . . . Thus we must detach the phenomena from the form in which they are immediately given and discover the intervening links which connect them to their core, their essence. In so doing we shall arrive at an understanding of their apparent form and see it as the form in which the inner core necessarily appears.'[38]

This explains the fundamental importance of 'transitions' and 'intermediary links' (i.e. the above-mentioned 'categories of mediation') for Marx's methodology! Without these categories (which resemble the so-called process of approximation of academic theory, only in outward appearance, but which in fact represent a materialist 'inversion' of Hegel's dialectical method), Marx's *Capital* would have been inconceivable. It is therefore clear that Marx had to criticise Ricardo on this point (and precisely on it), and reproach him for the 'formal' and 'arbitrary' manner of his abstraction.

In fact Ricardo already unexpectedly introduced the hypothesis of the general rate of profit in the first chapter of his work, dealing with 'value' – in order to show that even this assumption does not contradict the determination of the value of commodities by labour-time, and merely constitutes an 'exception'. Marx comments on this: 'Instead of postulating this general rate of profit, Ricardo should have rather examined how far its existence is in fact consistent with the determination of value by labour-time, and he would have found that instead of being consistent with it, *prima facie* it contradicts it, and that its existence would therefore have to be explained through

[36] *Capital* III, p.817. This passage could have just as well come from Hegel's *Logic*, which, in Volume II continually counterposes the world 'as it appears' and the world in 'its being-in-itself' and sees the 'truth of appearance' in 'essence'. (*Science of Logic* Vol.II, p.142.)

[37] *Capital* III, p.209. ('The distinction between idea and concept is also to be found in Hegel.' Lukacs, *op. cit.* p.25.)

[38] Lukacs, *ibid.* p.8.

a number of intermediary stages, a procedure which is very different from merely including it under the law of value.'[39]

However, it is just this elaboration which is absent in Ricardo! No wonder, then, that the question, 'how from the mere determination of the "value" of the commodities their surplus-value, the profit and even a general rate of profit are derived remains obscure' to him.[40]

'Where he correctly sets forth the laws of surplus-value he distorts them by immediately expressing them as laws of profit. On the other hand, he seeks to present the laws of profit directly, without the intermediate links, as laws of surplus-value',[41] in the same way that his method generally 'omits some essential links and *directly* seeks to prove the congruity of the economic categories with one another'.[42] 'One can see that though Ricardo is accused of being too abstract, one would be justified in accusing him of the opposite: lack of the power of abstraction, inability when dealing with the values of commodities, to forget profits, a factor which confronts him as a result of competition.'[43] And exactly the same can be said about the other parts of his work – on his conception of capital, wage-labour, money etc. The *Grundrisse* states on this: 'He never investigated the form of the mediation.'[44]

However, despite all this, stresses Marx, the method of investigation employed by Ricardo is 'justified', and its 'scientific necessity in the history of economics' cannot be denied![45] For what Ricardo intended with this method, and where for the most part he succeeded, was 'to reduce the various fixed and mutually alien forms of wealth' (profit, interest, rent) 'to their inner unity', that is, to understand 'the inner structure of the bourgeois economic system . . . in contrast to the multiplicity of its outward forms'. Certainly, Ricardo's theory, 'occasionally contradicts itself in this analysis. It often attempts to carry through the reduction directly, leaving out the intermediate links, and to prove that the various forms are derived from one and the same source. This is however a necessary consequence of its analytical method, with which criticism and understanding must

[39] *Theories* II, p.174.
[40] *ibid.* p.190.
[41] *ibid.* p.374.
[42] *ibid.* p.165.
[43] *ibid.* p.191.
[44] *Grundrisse*, p.327.
[45] *Theories* II, p.164.

begin. Classical economy is not interested in elaborating how the various forms come into being, but seeks to reduce them to their unity by means of analysis, because it starts from them as given premises. But analysis is the necessary prerequisite of genetical presentation, and of the understanding of the real, formative, process in its different phases.'[46]

Marx here sketched out the essential difference between his and Ricardo's method of investigation, a difference which is related to the different role allotted to analysis in the theoretical systems of the two thinkers. Of course, both are analysts, because the fundamental identity of the economic categories, their congruence with one another, can only be demonstrated through analysis. However, whereas for Ricardo, who regarded the social forms of bourgeois production as 'given forms', analysis represents the Alpha and Omega of his method, for Marx it is only a necessary step in the process of scientific discovery and must, therefore, be complemented and expanded by 'genetic' investigation,[47] the task of which is to investigate the processes of the development and formation of the economic categories themselves, and their further development through the various phases. But what is in fact analysis enriched by the genetic method of investigation? Nothing other than Marx's dialectical method!

3. Marx's remarks on Ricardo's method are therefore important for us because we believe that they provide a key to the understanding of Marx's *Capital*. A twofold methodological task stood before Marx in the light of his criticisms of Ricardo: on the one hand, to discover through scientific abstraction those categories and concepts by means of which the most essential relations of the capitalist mode of production could be understood, i.e. the 'essence' in contrast to the mere 'forms of appearance'; and on the other hand, to connect these essential relations with the phenomena on the 'surface' of economic life, or rather to derive these phenomena from the essential relations.

Marx accomplished the former task by excluding from his analysis, in the first instance, all the phenomena of competition etc., in order to limit the study exclusively to 'capital in general', i.e. the

[46] *Theories* III, p.500.

[47] It was in this sense that Hegel characterised 'objective logic' (the doctrine of Being and Essence) as the 'genetic exposition of concepts' (subjective logic). (*Science of Logic* Vol.II). Cf. Lukacs, *op. cit.* p.175: 'this ability to go beyond the immediate . . . means the transformation of the objective nature of the objects of action.'

production and circulation process of capital in its pure form;[48] in the course of this he studied, in a genuinely dialectical manner, the individual economic forms, not in a static sense, but in the flow of their movement, and not only from the perspective of the individual capital, but also (and primarily) from the perspective of aggregate social capital. This method was the only one by which he could investigate the 'life history' of capital, i.e. not simply uncover the inner laws which govern its actual operation, but also its development as a category from money and value, and in addition the developmental tendencies which point beyond its form of production. Only after this task had been carried out was it possible to proceed, via numerous 'mediations' and intermediary stages, to 'capital in reality' – the representation of the competition of capitals, the credit system etc. (A whole series of tasks which is commenced in Volume III of *Capital*, but which, according to Marx's plan, was to have been concluded with the theory of the formation of prices, the industrial cycle and crises, presupposing a representation of the world market.)[49]

4. The reader, whose patience has been so sorely tried, may well now be saying: All this may be correct; but what has it got to do with Lange's book? The reproach is justified. Lange's book in fact contains nothing, or almost nothing, on the method of Marx's *Capital*. Why should he bother to deal in detail with the role played by 'abstraction', 'progressive concretisation' and 'verification' in the methodology of political economy as such, if he does not mention the special importance of this method of reasoning in marxist economics?[50]

This criticism should not be misunderstood: If Lange's book had been published in 1909, rather than 1959, the lack of a chapter on methodology could not have occasioned such criticism. At that time the attention of marxist theoreticians was so totally absorbed with the material, with the concrete content of Marx's work that even the most important of them (with the exception of Lenin, Luxemburg and the young Hilferding)[51] scarcely gave any attention to the unique method of Marx's economic work, or at the least 'left it in the back-

[48] Cf. Chapter 2, pp.41-50 above.

[49] Cf. Chapter 2 above, where the question of the structure of Marx's *Capital* is dealt with in detail.

[50] With the exception of two quotations from Grossmann and the Polish economist W.Brus.

[51] We refer here to Hilferding's sketch of the history of ideas in *Die Neue Zeit*.

ground'. This was of course no accident, since theoreticians of the Second International, who for the most part were oriented towards Neo-Kantianism and positivism, had lost any feeling for the philosophical point of departure adopted by Marx and Engels, i.e. Hegel's conceptual schemes.[52] Thus Lenin could write in his *Philosophical Notebooks* of 1914-15: 'It is impossible completely to understand Marx's *Capital*, and especially its first chapter, without having thoroughly studied and understood the *whole* of Hegel's *Logic. Consequently, half a century later none of the marxists understood Marx!!*'[53]

Since that time (i.e. the period before the First World War) more than five decades have elapsed, and something could have been learnt on this subject in the intervening years. For example, in 1923 George Lukacs published *History and Class Consciousness*, which taught us to look at Marx's method with quite different eyes. Ten years later Lenin's *Philosophical Notebooks* were published; their significance for marxist economics cannot be overated. Furthermore, the heyday of Soviet economics in the 1920s provided many valuable methodological discoveries – to name only the works of Preobrazhensky, and

[52] The following section from Otto Bauer's review of Hilferding's *Finanzkapital* is very characteristic in this respect. (*Der Kampf*, 1909-10, p.392.): 'Along with Marx's method he also took over Marx's manner of presentation – even the Anglicisms.' (Hilferding's manner 'of imitating the inimitable language of Marx' was later mocked by Preobrazhensky in his book *Das Papiergeld in der Epoche der proletarischen Diktatur*.) Bauer continues: 'This appropriation of Marx's presentation is not entirely without its dangers. Marx, as always with the foundation of a new science, developed an entire system from graphic images, comparisons, metaphors, tropes and symbols, and in these he clothed his laws and concepts. We often forget that we ourselves speak in images when we say, for example, that the value of the means of production is "transferred" to the commodity produced, that value is "expressed" in price, that the law of value "appears" in the movement of prices . . . The present tendency of the science of our time, however, is to proceed in the manner of presentation from, such variegated images to abstract concepts. Fulfilling this need is necessary, not so much because Marx's image-filled language, which arose under the influence of Hegel's similarly metaphorical language, has misled several authors into reinterpreting marxism as a metaphysical system, but rather because this manner of presentation is not the one appropriate to the present day – because it obstructs the victorious progress of the marxist system.'

One can see that for Bauer, Marx's dialectic (e.g. the doctrine of 'essence' and 'appearance') is nothing more than 'metaphorical language' taken from Hegel . . . No wonder that he saw this dialectic – in this in accord with 'the science of our time' – as superfluous ballast.

[53] Lenin, *Collected Works* Vol.38, p.180.

the Rubin[54] school.[55] And finally, the publication of Marx's *Rough Draft* for *Capital* in 1939-40 amounted to a veritable revelation, which introduced us, as it were, to Marx's economic laboratory, and laid bare all the fine details and complex byways of his methodology. Since that time one no longer has to bite into the sour apple and 'thoroughly study the whole of Hegel's *Logic*' in order to understand Marx's *Capital* – one can arrive at the same end, directly, by studying the *Rough Draft*. Without the appropriation and thorough assimilation of the methodological discoveries of *Rough Draft*, it is impossible, in our opinion, to make any real progress in the field of marxist economics. But unfortunately, in the light of this, O. Lange's otherwise useful and interesting book makes a remarkably old-fashioned impression!

III. CONCLUDING REMARK

Every historical period and society has the theory 'which it deserves'. However, marxist social science has more than three decades of unparalleled degradation and sterility behind it; only half freed from the Stalinist strait-jacket, it has to learn the difficult art of free thought and free speech.[56] Is it then any surprise that it is still far from attaining again the relative high point of the 1920s?

[54] We read the following on Rubin's school in a work by the Soviet philosopher Rosenthal: 'Rubin's adherents and the Menshevik idealists, who spread their mischief in the 1920s and 1930s into the fields of political economy and philosophy, have written a great deal on the "dialectic of capital", but they treated Marx's revolutionary method in the spirit of Hegelianism, and turned it into a scholarly game of concepts, a complex system of artifice and intricacy, far remote from science . . . The Communist Party has destroyed this tendency, which is quite alien to marxism, and assisted Soviet philosophers and economists to unmask its essence.' (East German edition of 1957, p.19.) As we know, the Rubin school was in the main 'destroyed' by the execution of Rubin and his comrades in Stalin's concentration camps and prisons . . . Soviet philosophers would be better advised at least to keep silent about this painful subject, rather than make such comments.

[55] The only publication in the West which can be named in this connection is Marcuse's *Reason and Revolution*, 1941.

[56] Lange's treatment of Stalin's alleged contribution to sociology and political economy is typical in this respect. As late as 1959 he still feels obliged to pay tribute to the dead dictator and point out his scientific 'merits', by allotting quite disproportionate space to his views, in particular to his so-called law 'of the necessary conformity between production relations and the character of the productive forces'. Admittedly only in the text. In the footnotes

But not only that! The degradation of marxist theory, which we have been able to observe in the last decades, was of course no accident, no whim of history (as the belated critics of the so-called personality cult wish us to believe). It was a phenomenon which necessarily accompanied the far-reaching structural changes in society which Lange very prudently identifies as the predominance 'of the conservative interests of certain strata or social groups whose position is the result of the place they occupy in the superstructure'.[57] He says one thing, but means another: he talks of the 'superstructure', but means the state and party bureaucracy.[58] Nevertheless, no matter how these strata are defined, the actual pressure which the 'conservative interests' exercise is not thereby made any the less. And this pressure does not only find its expression in the economy (primarily in the relations of distribution), as well as in the omnipotence of the 'greatest fetish of all' – the state – but also in the spheres of science, culture, art, social morality etc. And the more the 'conservative interests' seek to convince themselves and their associates of the stability of the prevailing situation – gloomily sensing the precarious and provisional nature of their historical position – the stronger the urge to seek all kinds of 'eternal values' in life, thought and emotions. Hence the tendency towards absolutising and de-historicising the old marxist heritage in philosophy, ethics, sociology (the theory of the state), economics etc. Marx's materialism does not seem to represent any insuperable obstacle to such an interpretation (although they look askance at the philosophical heritage of the young Marx). However, the situation is different with Marx's dialectic, which 'includes in its positive understanding of what exists a simultaneous recognition of its negation, its inevitable destruction' and 'regards every historically developed form as being in a fluid state'.[59] This dialectic of contradictions is naturally instinctively repugnant to the 'conservative interests'; hence the efforts made to pay lip-service to it, to force it into the

he did not neglect to add that Stalin only discovered the name of the law because it had already been 'discovered and formulated by Marx and Engels'. What would one say about a theologian who lauded his God in the text, and denied his existence in the footnotes?!

[57] Lange, *Political Economy*, p.82, note 57.

[58] The concept of bureaucracy as a social stratum has unpleasant 'oppositional' overtones; however, one is permitted to speak of bureaucratic habits, of individual officials seized by bureaucratic ways, but not of the bureaucracy as a social stratum. Accordingly the most recent Soviet textbooks define bureaucracy as a 'remnant of pre-socialist administrative methods'. (*Fundamentals of Marxist Philosophy*, in Russian, 1960, p.535.)

[59] *Capital* I, p.103 (20).

Procrustean bed of eternal natural laws (where it can create less mischief), and at the same time to banish it from the social, economic and political theory (and practice) of the present day. 'Eternal values' are difficult to reconcile with the critical-revolutionary dialectic of Marx.

What is important is to acknowledge this connection and to struggle against the pressure of 'conservative interests' in every sphere. Only in this way will it be possible to go beyond 'neo-marxism' (or more correctly: 'vulgar-marxism') both in sociology and the economics.

Bibliography

Works by Marx and Engels

Marx K. and Engels, F. *Collected Works*, London, Lawrence and Wishart 1975.

—*Communist Manifesto* (1848), in *Selected Works in One Volume*, London, Lawrence and Wishart 1968.

—*The German Ideology* (1845-46), London, Lawrence and Wishart 1965.

—*Perepiska. (Marx and Engels's Correspondence with Russian Political Figures)* (in Russian), Moscow 1947.

—*Selected Correspondence*, Moscow, Progress Publishers 1975.

—*Selected Correspondence* ed. Dona Torr, London, Martin Lawrence 1934.

—*Selected Works in One Volume*, London, Lawrence and Wishart 1968.

—*Werke*, Berlin, Dietz Verlag 1965-73.

Marx, K. *Capital*, Vols. I, II and III, London, Lawrence and Wishart 1970, 1974.

—*Capital*, Volume I (transl. Ben Fowkes), Harmondsworth, Penguin Books, 1976.

—*Contribution to the Critique of Political Economy* (1859), London, Lawrence and Wishart 1971.

—*Critique of the Gotha Programme* (1875), in *Selected Works in One Volume*, London, Lawrence and Wishart 1968.

—*Economic and Philosophical Manuscripts of 1844* (transl. Martin Milligan), London, Lawrence and Wishart 1970.

—*Grundrisse der Kritik der politischen Ökonomie (Rohentwurf)* (1857-58), Berlin, Dietz Verlag 1953. Includes Marx's 'Excerpt Notes' on Ricardo and Bastiat and Carey, and *Fragment des Urtextes 'Zur Kritik der politischen Ökonomie'* (1858) a preliminary draft for the *Contribution to the Critique of Political Economy.*

—*Grundrisse, Foundations of the Critique of Political Economy (Rough Draft)*, (transl. Martin Nicolaus), Harmondsworth, Penguin Books 1973.

—*Marginal Notes on Adolph Wagner's 'Lehrbuch der politischen Ökonomie'* (1879-80), in Marx-Engels *Werke (MEW)* Vol. 19, pp.355-383. Transl. by Athar Hussain in *Theoretical Practice*, Issue 5, Spring 1972.

—*The Poverty of Philosophy* (1847), New York, International Publishers 1963.

—*Pre-Capitalist Economic Formations*, ed. and introduced by E. J. Hobsbawm, London, Lawrence and Wishart 1964.

—*Selected Writings*, eds. T. Bottomore and M. Rubel, Harmondsworth, Penguin Books 1963.

—*Theories of Surplus-Value* Parts I, II and III, London, Lawrence and Wishart 1969.

—*Wage-Labour and Capital* (1847), in *Selected Works in One Volume*, London, Lawrence and Wishart 1968.

—*Wages, Prices and Profit* (1865), in *Selected Works in One Volume*, London, Lawrence and Wishart 1968.

Engels, F. *Anti-Dühring*, London, Lawrence and Wishart 1955.

—*Selected Writings*, ed. W.O. Henderson, Harmondsworth, Penguin Books 1967.

Other works cited

Basso, L. 'Rosa Luxemburg: The Dialectical Method' in *International Socialist Journal*, November 1966.

Bauer, O. *Rezension über Marxliteratur* (Review of literature on Marx) in *Der Kampf*, Vol. 6. 1913, p.190.

—*Die Akkumulation des Kapitals* in *Die Neue Zeit*, 1913, No. 23.

—*Kapitalismus und Sozialismus nach dem Weltkrieg*, Vol. I: *Rationalisierung-Fehlrationalisierung*, Vienna, 1931.

—*Die Nationalitätenfrage und die Sozialdemokratie*, 2nd edition. Vienna, 1934.

—Review of Hilferding's *Finanzkapital* in *Der Kampf*, 1909-10.

Behrens, F. *Zur Methode der politischen Ökonomie. Ein Beitrag zur Geschichte der politischen Ökonomie*, Berlin, 1952.

Bernstein, E. Review of Hilferding's *Böhm-Bawerk's Criticism of Marx* in *Dokumente des Sozialismus*, Heft 4, 1904.

—*Zur Theorie des Arbeitswerts* in *Die Neue Zeit*, Nos. 12 and 13, 1899.

Bigelow, J. *Jamaica in 1850: or the effects of Sixteen Years Slavery*, New York, 1851.

Birkenffeld, L. *'Die Konsolidierung der sozialistischen Arbeiterinternationale'*, in *Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung*, 1930.

Block, H. *Die Marxsche Geldtheorie*, Jena, 1926.
Böhm-Bawerk, E. von, *Karl Marx and the Close of his System*, with an Introduction by Paul Sweezy, Clifton NJ, Kelley 1973.
Bortkiewicz, L. von, 'Value and Price in the Marxian System' in *International Economic Papers* No.2, 1952. (Originally published in German, 1906-07).
Bukharin, N. *Imperialism and the Accumulation of Capital*, London, Allen Lane the Penguin Press 1972.
Bulgakov, S. *On the Question of Markets in the Capitalist Mode of Production*, (in Russian), Moscow, 1897.
Burns, Sir Alan, *History of the British West Indies*, 1954.
Diehl, K. *Sozialökonomische Erläuterungen zu David Ricardos Grundgesetzen der Volkswirtschaft und Besteuerung*. Leipzig, 1905.
Grigorovici, T. *Die Wertlehre bei Marx und Lassalle. Beitrag zur Geschichte eines wissenschaftlichen Missverständnisses*. Vienna, 1910.
Grossmann, H. *'Die Änderung des ursprunglichen Aufbauplans des Marxschen "Kapital" und ihre Ursachen'* in *Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung (Grünbergs Archiv)* Vol. 14. 1929.
—*Das Akkumulations- und Zusammenbruchsgesetz des Kapitals*, Frankfurt, 1967.
—*'Marx, die klassische Ökonomie und das Problem der Dynamik'* (mimeographed), New York. English translation 'Marx, Classical Political Economy and the Problem of Dynamics', *Capital and Class* 2 and 3, 1977.
—Review of Sternberg's *Imperialism* in *Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung (Grünbergs Archiv)*, 1928.
Hegel, G.F.W. *Science of Logic*, London, Allen and Unwin 1929.
—*Encyclopädie der philosophischen Wissenschaft im Grundrisse*, Leipzig, 1870.
—*'Die Verfassung Deutschlands'*, in *Politische Schriften* ed. Habermas, Frankfurt, 1966. (Quoted in Lukacs, G. *The Young Hegel*).
Hilferding, R. *'Zur Problemstellung der theoretischen Ökonomie bei Marx'*, in *Die Neue Zeit* 1904, No. 4.
—*Das Finanzkapital*, Frankfurt, 1968.
—*Böhm-Bawerk's Criticism of Marx*, Clifton NJ, Kelley 1973.
Kautsky, K. *Karl Marx's ökonomische Lehren*, Stuttgart, 1887.
—*Die materialistische Geschichtsauffassung*, Berlin, 1927.
Kenafick, K. *M. Bakunin and Karl Marx*, 1949.

Kowalik, T. *Rosa Luxemburg's Economic Theory* (in Polish, mimeographed) Warsaw, 1963.
Lange, O. *Political Economy*, Vol. I *General Problems*, New York, 1963.
Lassalle, F. *Die Philosophie Herakleitos des Dunklen von Ephesos*, Berlin, 1858.
Lenin, V.I. *Collected Works*, London, Lawrence and Wishart 1960-70.
—*'Marginal Notes on Luxemburg's "Accumulation of Capital"'* (in Russian), *Lenininskii Sbornik*, Vol. 22.
Leontiev, L. ● *pervonatshalnom nabroske 'Kapitala' Marksa*, Moscow, 1946.
Liebknecht, W. *'Erinnerungen an Marx'* in *Ausgewählte Schriften*, Vol. I, 1934.
Lukacs, G. *History and Class Consciousness*, London, Merlin 1971.
—*The Young Hegel*, London, Merlin 1975.
Luxemburg, R. *The Accumulation of Capital*, London, Routledge and Kegan Paul 1963.
—*The Anti-Critique* in *Imperialism and the Accumulation of Capital*, London, Allen Lane 1972.
—*Ausgewählte Reden und Schriften*, 2 Vols. Berlin, 1951.
—*Briefe an Freunde*, Hamburg, 1950.
—*'Einführung in die Nationalökonomie'* in *Ausgewählte Reden und Schriften*, Vol. I, Berlin, 1951.
Malthus, T.R. *Principles of Political Economy*, London, 1836.
Marcuse, H. *Reason and Revolution*, London, Routledge and Kegan Paul 1941.
Mattick, P. *Rebels and Renegades*, Melbourne, 1946.
Mayer, G. *Friedrich Engels*, Berlin, 1920-33.
Meek, R.L. *Studies in the Labour Theory of Value*, London, Lawrence and Wishart 1956.
Morf, O. *Das Verhältnis von Wirtschaftstheorie und Wirtschaftsgeschichte bei Karl Marx*, Berne, 1951.
Moszkovska, N. *Zur Kritik moderner Krisentheorien*, Prague, 1935.
—*Das Marxsche System. Ein Beitrag zu dessen Ausbau*, Berlin, 1929.
—*'Zur Verelendungstheorie'*, in *Die Gesellschaft*, 1930.
Oppenheimer, F. *Wert und Kapitalprofit*, Jena, 1916.
Petty, W. *The Economic Writings of Sir William Petty* Vol. I, London, 1899.
Preiser, E. *'Das Wesen des Marxschen Krisentheorie'* in *Wirtschtft*

und Gesellschaft Festschrift für Franz Oppenheimer zu seinen 60. Geburtstag. Frankfurt, 1924.
Preobrazhensky, E. *The New Economics*, London, Oxford University Press 1965.
Ryazanov, D. *Karl Marx: Man, Thinker, and Revolutionist*, London, Martin Lawrence 1927.
—*'Siebzig Jahre "Zur Kritik der politischen Ökonomie"'* in *Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung (Grünbergs Archiv)* Vol. 15, 1930.
Ricardo, D. *Principles of Political Economy and Taxation*, (3rd edn. 1821) Harmondsworth, Penguin Books 1971.
Robinson, J. Introduction to R. Luxemburg, *The Accumulation of Capital*, London, Routledge and Kegan Paul, 1963.
—*An Essay on Marxian Economics*, London, Macmillan 1966.
—*'The Labour Theory of Value: A Discussion'*, in *Science and Society*, 1954.
—*Collected Economic Papers*, Oxford, Blackwell 1960.
—*Economics of Imperfect Competition*, London, Macmillan 1933.
Rodbertus-Jagetzov, C. *Schriften*, Berlin 1898.
Rosenthal, *Die Dialektik in Marx' 'Kapital'*, Berlin, 1957.
Rubin, I.I. *Essays on Marx's Theory of Value*, Detroit, Black and Red 1972.
—*Marx's Theory of Production and Consumption* (in Russian) 1930.
Schlesinger, R. *Marx, His Time and Ours*, London, Routledge and Kegan Paul 1950.
Schmidt, A. *The Concept of Nature in Marx*, London, New Left Books 1971.
Schumpeter, J. *Capitalism, Socialism and Democracy*, London, Unwin 1966.
—*History of Economic Analysis*, New York, 1954.
Sismondi, J.C.L. *Political Economy*, Clifton NJ, Kelley 1970.
Smith, A. *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), New York, 1937.
Sternberg, F. *Marx und die Gegenwart*, Cologne, 1955.
Strachey, J. *Contemporary Capitalism*, New York, 1956.
Sward, K. *Legend of Henry Ford*, New York, 1948.
Sweezy, P. *Theory of Capitalist Development*, London, Dobson 1946.
Sweezy, P. (and Baran, P.) *Monopoly Capital*, New York, 1964.
Temkin, G. *Karl Marx' Bild der kommunistischen Wirtschaft*, Warsaw, 1962.
Trotsky, L. *The Revolution Betrayed*, New York, Pathfinder Press 1972.

—*Permanent Revolution*, New York, Pathfinder Press 1976.
Tugan-Baranovsky, M. *Studien zur Theorie und Geschichte der Handelskrisen in England*, Jena, 1901.
—*Theoretische Grundlagen des Marxismus*, Leipzig, 1905.

Index

Alexander, W. 471

Bailey, Samuel, 120,516,537
Bakunin, Mikhail, 304,549
Baran, Paul, 546
Basso, Lelio, 492
Bastiat, Frédéric, 181,218,234, 391
Bauer, Helene, 311
Bauer, Otto, xiii,86,283,311,312, 450,452,456,469,480,481,492, 497-503,504,517,521-29,569
Behrens, Friedrich, 23-26,53
Bernstein, Eduard, 74,517,519
Bigelow, J. 223
Birkenfeld, L. 311
Blanqui, Louis, 428
Block, H. 135-36, 140
Böhm-Bawerk, Eugen von, 73, 371,506-20
Bogdanov, 517
Boisguillebert, Pierre, 168
Bortkiewicz, Ludwig von, 119, 398,399,404,411
Boudin, Louis, 517,553
Braunthal, A. 290
Bray, John Francis, 101,210,292, 548
Brockhaus, 6
Brus, Wlodzimierz, 568
Bukharin, Nikolai, 71,312,447 449,450,500,553,554,560
Bulgakov, Sergei, 464-72,473, 475,479,481
Burnham, James, 33
Burns, Alan, 211

Carey, Henry Charles, 15,181, 234,290,387,388
Carlyle, Thomas, 222,223
Cherbuliez, Antoine, 200,262, 264,294,356,406
Chester, H. 449
Clark, J.M., 523

Danielson (Nikolai-on) 460-64, 482
Darimon, 8,99,104
Darwin, Charles, 253
Destutt de Tracy, Antoine-Louis, 536
Deutsch, H. 517
Diefenbach, Hans, 492
Diehl, Karl, 90,285
Dühring, Eugen, 546

Ebner, H. 3
Eckstein, 450,452,480,481
Engels, Frederick, 3,4,5,7,8,10, 18,21,22,25,27,35,39,41,52,55, 58,61,89,95,111,113,115,123, 126,143,151,154,181,220,222, 232,250,253,270,283,297,304, 305,306,307,312,318,349,351, 365,369,372,374,379,383,385, 414,420,433,434,443,454,460-

64,484,516,517,518,519,526-27,538,541,545-46,552,557, 558,559,560,561,562,569,571

Ford, Henry, 154
Fourier, Charles, 429,430
Freiligrath, Ferdinand, 3
Freud, Sigmund, xii

Galiani, Fernando, 443
Gillman, Joseph, 546,548,549
Goethe, Johann Wolfgang, 154
Gray, John, 210,548
Grigorovici, T. 90,93,94
Grossmann, Henryk, 23-26,43, 53,73,87,88,288,296,310,382, 399,451,452,492,502,503,568

Hegel, Georg Wilhelm Friedrich, xi,xii,xiii,26,38,40,42,45, 49,51,78,103,112,113,114,119, 127,133,142,187,188,210,228, 249,259,325,332,367,368,374, 375,417,419,459,492-93,530, 541,565,567,569,570
Hilferding, Rudolf, 73,74,76,120, 226,371,451,460,469,472,483-87,492,517,519,538,553,568, 569
Hitler, Adolf, xiv
Hodgskin, Thomas, 401,410, 438

Jones, Richard, 80,225,438

Kant, Immanuel, xii, 78
Kaufmann, J.J. 77,114
Kautsky, Karl, xi,10,11,14-18, 58,61,124,133,285,372,407, 450,451,460,481,517,553-54, 556
Kenafick, K.J. 549
Keynes, John Maynard, 550,551
Kowalik, T. 474,498,499,502
Kugelmann, Ludwig, 10,11,12, 41,52,55,78,97,556

Lange, F.A. 253
Lange, Oskar, 498,552–61,562, 568,570,571
Lassalle, Ferdinand, xiii,1,4,11, 55,113,114,285,295,300,305
Lavrov, Pyotr, 484
Lenin, Vladimir Illich, xiii,71, 113,118,133,434,472-83,491, 564,568
Leontiev, Wassily, 175,432
Liebknecht, Wilhelm, 3
Löwenthal, 4,5
Lukacs, Georg, xii,xiii,27,51,112, 228,265,325,418,492,556,557, 564,565,567,569
Luxemburg, Rosa, 22,63-72,226, 263,279,284,294,295,296,308, 382,448,449,450,451,452,453, 460,462,464,467,468,469,470, 477,480,481,490-94,496,497, 499,502,505,548,552,553,554, 555,556,558,559,560,568

McCulloch, John Ramsey, 322,438,466,474
Malthus, Thomas, 15,245,250-55,295,327,536,548
Marcuse, Herbert, 75,424,570
Marshall, Alfred, 547
Mattick, Paul, 483
Mayer, Gustav, 7
Meek, Ronald, 411,536
Mill, James, 126,322,458
Mill, John Stuart, 340,399
Mort, O. 24,27
Morgan, Lewis Henry, 117
Moszkovska, Natalie, 290,405-6

Nezhdanov, 475

Oppenheimer, F. 168
Otter, 327
Owen, Robert, 105,430

Pannekoek, Anton, 480
Petty, William, 180,535
Pieper, Wilhelm, 6
Plekhanov, Georgy, 473,474
Posniakov, 517
Preiser, E. 375
Preobrahzensky, Evgeny, 435, 569
Price, Richard, 373
Proudhon, Pierre Joseph, 2,4,5,6, 83,99,107,182,210,263,391, 512-13,523,543,548,550,551

Quesnay, François, 64,457,458

Ricardo, David, xiii,2,3,5,15,19, 21,25,30,33,36,37,47,52,73,76, 80,82,85,87,120-23,169,212, 232,253,254,262,294,321,322, 373,374,375,376-82,410,437, 438,458,459,466,474,479,485-87,489,509,511,515,516,531, 536,537,540,560,562,563,564, 565,566,567
Robinson, Joan, 398,401,402, 408,409-10,432,448,514,530-51
Rodbertus, Johann Karl, 33,89, 106
Rosenthal, 556,570
Rossi, Pellegrino, 79
Rubin, I.I. 73,78,173,513,517, 570
Ryazanov, David, 3,4,7

Say, Jean Baptiste, 82,218,322, 458,466,470,472,474,477
Schäffle, 544
Schlesinger, Rudolf, 168,169,509
Schmidt, Alfred, xiv
Schmidt, C. 434,517,553
Schumpeter, Joseph, xii,xiii,514, 551
Schweitzer, Johann, 107,254,459
Shlyapnikov, G. 481
Sismondi, Jean, 15,71,80,200, 250,262,264,321,322,326,458, 459,467,474,482,489
Smith, Adam, 3,15,19,25,43,64, 76,115,169,180,262,272,276, 297,358,376,429,430,482,519, 535,536,537
Sombart, Werner, 285,474
Stalin, Joseph, xiv,570-71
Sternberg, Fritz, 285,286,288, 290,301-05
Stuart, James, 37
Stirner, Max, 418
Storch, Heinrich, 387,432
Strachey, John, 304-5
Struve, Pyotr, 464,479,481
Sward, K. 154
Sweezy, Paul, 74-76,398,402, 403,404,405,411,450,538,546, 549,551

Takagi, Kojiro, xiv
Temkin, G. 561
Torrens, Robert, 169,170
Trotsky, Leon, 33,66,129,428, 434,453,525
Tugan-Baranovsky, Mikhail, 86, 167,411,456,460,464-72,473, 474,475,477,478,479,481,482, 491,492,495,497,501,502,504

Vörlander, Karl, xii,xiii

Wagner, Adolph, 31,75,83,544
Wakefield, Edward Gibbon, 15, 38
Weitling, Wilhelm, 100
Weydemeyer, Joseph, 6,8
Wolf, Julius, 285,541